

Austria	Sch 15	Indonesia	Rp 2500	Portugal	Isc 65
Belgium	Fr 625	Italy	L 1100	S. Africa	Rp 6.00
Canada	C\$2.50	Japan	Yen 100	Singapore	SS 4.10
Cyprus	Mal 620	Kenya	Fr 1250	Slovenia	Pr 95
Denmark	DKr 7.00	Lithuania	Lt 1.00	Sri Lanka	Pr 30
Egypt	Fr 1.50	Low Countries	Lt 35	Sweden	SEK 0.50
Finland	Fr 5.50	Malta	Fr 1250	Tunisia	Fr 1.00
France	Fr 5.50	Morocco	Fr 1000	Turkey	TL 200
Germany	DM 2.00	Spain	Fr 1000	Tunisia	Fr 0.50
Hong Kong	HKS 12	Turkey	TL 100	U.S.A.	US \$1.50
India	Rs 15	U.S.A.	US \$1.50		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Wednesday October 12 1983



Lurking threat
to the U.S.
recovery, Page 14

No. 29,143

NEWS SUMMARY

GENERAL

No snap election, Nakasone insists

Japanese Premier Yasuhiro Nakasone yesterday insisted that he would not call a snap general election, whatever today's verdict on former Premier Kakuei Tanaka in the Lockheed payments trial.

Mr Tanaka is charged with accepting bribes while in office to promote the sale of Lockheed airliners to All Nippon Airways.

Mr Nakasone advised the nation to "wait calmly" but many demonstrations are being planned, and press and broadcasting are covering the matter closely. Page 4

Burma arrest

Burmese police caught a "Korean terrorist" - it did not say whether from North or South Korea - and killed another, after Sunday's bomb explosion that killed 10 South Korean Ministers and officials in Rangoon. A million mourners are expected at their state funeral. Page 4

Departure row

France asked Libya's diplomatic representative in Paris to explain why Libya was refusing to let 37 French citizens leave Tripoli for Paris. Libya has given no official reason. Page 3

2m face purge

At least 2m Chinese are likely to lose Communist Party membership in a reform campaign aimed at weeding out Gang of Four supporters. Page 4

Zia plans talks

Pakistan's President Zia ul-Haq will consult at least four political parties in the next few days on ways of ending martial law. Page 16

EEC delays

A key meeting seeking to save the EEC from crisis failed to respond to new problems in funding the Common Agricultural Policy; no action will be taken until the European Commission meets on Friday. Page 3

New launch date

The twice delayed launch of an international communications satellite on the Ariane rocket was set for next Tuesday.

Dissident's trial

Jewish dissident Iosif Begun goes on trial for anti-Soviet agitation and propaganda in Vladimir, Soviet Union, tomorrow, friends said.

Cosmonauts hurt

Three Soviet cosmonauts, one a woman, were injured when their launch rocket exploded while taking off for the Salyut-7 space station last month. Soviet sources said.

Zambia in mourning

Zambia began three days of national mourning for 1956 nationalist leader Harry Nkumbula, who died on Saturday.

Education battle

Spain's socialist Government opened a debate on an education bill, which, like last week's abortion law, has provoked fierce opposition from the Roman Catholic establishment. Page 2

Greece accuses U.S.

Greece accused the U.S. of letting its military jets violate Greek air space and endanger civil air traffic by radar-jamming during Nato manoeuvres. Page 2

Odessa pollution

Accidental discharges from a U.S.-built chemical plant near Odessa caused a big pollution disaster, cutting off city water for days. Moscow said.

BUSINESS

London exchange votes for reform

By DAVID LENNON IN TEL AVIV

Shamir economic measures will fuel inflation rate

BY DAVID LENNON IN TEL AVIV

Israel faces a sharp and immediate increase in the inflation rate - expected to reach about 160 per cent this year - after the devaluation of the shekel by 20 per cent and a cut in government subsidies on basic commodities by 50 per cent.

These measures, adopted at an all-night Cabinet meeting, are the first steps to be taken by the new Government led by Mr Yitzhak Shamir, on what it hopes will be the road to economic recovery.

Mr Yoram Aridor, the Finance Minister, said these measures were aimed at eventually breaking the inflationary cycle.

He hopes this can be achieved by reducing the percentage of the compensation automatically paid to employees through the linkage of their income to the rise in the cost of living index.

The swift and bold action taken by the new Government was given a cautious welcome in business and industrial circles as "a step in the right direction."

But the trade unions threatened to paralyse the economy if the Government tampered with the automatic cost-of-living increment paid every three months to compensate workers for price rises. If this link cannot be broken, then yesterday's measures may prove futile.

There was also criticism from

within the Treasury, which had asked the Government to implement more severe measures. Officials warned that there would have to be further devaluations and budget cuts if the aim of restoring economic growth was to be achieved.

The public reaction was mixed. Israelis have known for some time that the country was living beyond its means and the harsh economic measures came as no surprise.

Yesterday there was the ritual shoving of the supermarket shelves to snap up foodstuffs at the old prices. But most shoppers regarded their action as a prudent move, rather than a sign of panic.

"Well, I suppose you could call it panic buying," one shopper in Tel Aviv said as he piled his trolley ever higher. "But the truth is that those who were accused of panicking last week when they sold bank shares and bought dollars have been proved to have been right. So I guess you can say that I am indulging in controlled panic buying."

The fate of the government's rescue plan for the beleaguered bank

shares has yet to be decided. Although agreement was reached between the Treasury and the commercial banks, the final decision rests with the Knesset finance committee which must approve the new arrangement.

The decision to make the Government the underwriter of bank shares has been meeting considerable opposition in both public and parliament from those who oppose the taxpayer being penalised for the failure of a speculative investment.

Under the terms of the agreement shareholders will be allowed to turn their shares into dollar-linked bonds.

The Government will redeem these after five years, at 85 per cent of their dollar value as of last Thursday when trading was suspended, with an additional 3 per cent interest being paid annually.

All investors with holdings of less than Shl 500,000 will receive the full

Continued on Page 16

Editorial comment, Page 14

French industry 'to be given prices freedom'

BY DAVID HOUSEGO IN PARIS

FRANC INDUSTRY needs to be given freedom to determine its own industrial prices, which are at present subject to state regulation, M. Laurent Fabius, the French Minister of Industry, said yesterday.

He was opening the first parliamentary debate to be held on industrial policy since the socialists came to power. M. Fabius confirmed the recent shift towards a more market-oriented approach by the Government, and systematically distanced himself from positions adopted by the left wing of the Socialist Party and the socialist communist allies. Communist deputies refrained from applauding him when he sat down.

He ruled out protectionism and said that France had no intention of moving in that direction. He said that an export effort must be backed by judicious investments abroad.

Describing the overall performance of French industry as "mediocre", he said that this in the short term prevented the strong economic growth sought by the left. "In the absence of a sufficiently strong nationwide industry," he told the French parliament, "any tie-up with Canon Sales, Page 7

● BANK OF GHANA scrapped a system of bonuses and surcharges on foreign exchange transactions, making official April's de facto devaluation from 2.75 to 30 cedis to the dollar. Black market rates of 100 have been reported.

● HERMINIO OMETTO, group of Brazil, which claims to be the world's biggest private producer of sugar and alcohol fuel, filed for protection against bankruptcy on behalf of six of its 10 companies. Page 16

● APPLE COMPUTER of the U.S. plans to sell computers worth \$100m in Japan in 1984 as a result of a tie-up with Canon Sales, Page 7

● COMPAGNIE Générale d'Électricité, diversified French state electronics group, reported first-half gross earnings of FF 205.5m (\$20m), up from FF 162.5m. Group sales up 20 per cent, Page 17

● TEXAS Commerce Bancshares, second biggest Texas bank group, saw third-quarter net income 3 per cent higher at \$44.4m. Its rivals have reported downturns. Page 17

● GENERAL ELECTRIC of the U.S. increased third-quarter net profits to \$490m (\$451m) or \$1.18 a share (98 cents) on revenue up from \$8.5bn to \$9.5bn.

● EXCO International, money broker and financial services group, held exploratory talks with four London stockbroking firms with a view to taking a 29.9 per cent stake in one of them.

Conoco's chemical operations had sales of \$902m in 1982 and assets valued at more than \$760m. Last year, Du Pont and Conoco's combined polymer products division reported a 40 per cent decline in earnings to \$78m on sales of \$3.1bn.

Conoco's refining and marketing division

Du Pont announced last year that it planned to sell some \$2bn worth of assets in the wake of the Conoco acquisition. The company borrowed close to \$4bn to finance the purchase. In September 1982, the group sold a sizeable portion of Conoco's oil and gas interests to Petro Lewis for \$772m.

The chemical businesses to be sold back to Conoco's management are all commodity chemical businesses, which have been hard hit by shrinking demand and overcapacity worldwide. Du Pont has repeatedly stressed that it aims to increase its sales in its speciality, higher value-added chemical businesses

French industry opens its doors, Page 16

Strength on the ground and experience are essential for a successful international banking connection.

Lloyd's tightens terms for Gulf risk

By Richard Johns in London

LONDON underwriters moved yesterday to tighten terms for insuring vessels destined for Iran as ports at Teheran threatened again to cut off all oil exports from the Gulf.

Referring to the prospect of Iraq's deploying newly supplied French Super Etendard aircraft against Iranian oil installations, Hajatolleslam Akbar Hashemi Rafsanjani, President of the Iranian Parliament, said that if his country's oil shipments were prevented in any way, "then no country in the world will be able to use this vital route."

The decision to make the Government the underwriter of bank shares has been meeting considerable opposition in both public and parliament from those who oppose the taxpayer being penalised for the failure of a speculative investment.

Under the terms of the agreement shareholders will be allowed to turn their shares into dollar-linked bonds.

The Government will redeem these after five years, at 85 per cent of their dollar value as of last Thursday when trading was suspended, with an additional 3 per cent interest being paid annually.

All investors with holdings of less than Shl 500,000 will receive the full

Continued on Page 16

Editorial comment, Page 14

BCal places order for new Airbus

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

AIRBUS INDUSTRIE, the European aircraft consortium based in France, has won its first order for its planned A-320 with an airline operator with a formal decision.

The engine for the A-320 is the French-U.S. (Snerna-General Electric) CFM-56-4, already under development with French Government cash support.

Rolls-Royce, however, is setting up an international group, in conjunction with Pratt & Whitney of the U.S. and the Italian, West German and Japanese aero-engine industries, to build a new engine, the IAE-2500, which will also be offered for the A-320 and other aircraft.

The UK Government is being asked for more than £300m in launching aid for the A-320. BCal's order may act as a catalyst to other orders being discussed with many other airlines. If those orders materialise, the A-320 appears to be firmly on course for a formal launching into production by around the end of this year, with 1988 as the delivery target date.

The BCal decision injects a new element into the long-running debate on whether the UK Government should support the manufacture of the A-320 financially.

British Aerospace, which already has a 20 per cent stake in Airbus Industrie and expects to be paid off in 25 per cent of the work on the A-320, building the wings, has submitted proposals to Britain's Trade and Industry Department for £300m to £400m in launching aid for the work.

The French, West German and Spanish governments are also being asked by their respective aerospace industries to finance the venture, the overall cost of which is put up to £1.5bn.

Boeing is also working on a "Dash 7" airliner directly competitive with the A-320, while McDonnell Douglas has a design for an MD-300 of similar size.

Sir Adam also said BCal would meet new noise regulations by late 1986 by "hush-kitting" its existing fleet of One-Eleven jets. This would enable the One-Elevens to be re-

Continued on Page 16

RECENT LARGE AIRLINER ORDERS

Airline	Aircraft type	Approx. cost (\$m)
British Airways	14 B-737-200s, option 17	250
British Caledonian	7 A-320s, option 3	240
Japan Air Lines	9 B-767s, option 6	560
	2 B-747-200s	200
KLM (Netherlands)	1 B-747-300, plus retrofit of 10 B-747s to 300s	200
Northwest (U.S.)	5 B-767-300s	425
Qantas (Australia)	3 B-747-300s	640
Singapore Airlines	plus RR RB-211 engines 6 B-747-300s	60
U.S. Air	4 B-757-20	

EUROPEAN NEWS

Greeks accuse U.S. of airspace violations

By Andriana Ierodiakonou in Athens

GREECE HAS accused the U.S. of deliberately allowing American military jets to violate Greek airspace and endanger civil air traffic by radar jamming during Nato manoeuvres in the eastern Mediterranean.

A strong protest over the alleged violation was made yesterday to the U.S. embassy in Athens. American officials said the U.S. is "looking into" Greek allegations of 33 instances of airspace violation, 16 cases of transgression of air traffic control regulations, and two cases of radar jamming by U.S. planes taking part in Nato exercise "Display Determination 83."

Greece pulled out of the exercise two weeks ago. It accused Nato of favouring Turkey by cancelling manoeuvres on the Greek island of Limnos, the militarised status of which is disputed by Ankara.

Both the pull out and this week's protest are seen as an attempt by the Socialist Government of Mr Andreas Papandreou to counter-act the recent reaching of an agreement with Washington extending the operation of the U.S. bases in Greece. The bases agreement was brought to the Greek parliament for ratification this week.

Mr Papandreou, who came to power promising to close the U.S. bases down, is anxious to appease anti-American ideologues within his own Socialist ranks. He is also anxious to stay on good terms with the pro-Moscow Greek Communist opposition, which is a strong force in Greek trade unions.

Athens could have made much more of these alleged violations of its air space by including Turkey in its public condemnation this week. In spite of claiming evidence that Turkish jets also forced into Greek national air space, Athens merely "drew the attention" of Ankara to the matter through its local embassy yesterday.

A Greek Government spokesman today denied that the protest has any serious long-term implications for Greek-U.S. relations. But the decision to withdraw from the Nato exercise marks a steady weakening of Greek participation in Nato's military wing.

Madrid again locks horns with church

By David White in Madrid

SPAIN'S SOCIALIST Government has again taken on the Roman Catholic establishment in a parliamentary battle over private education less than a week after the passing of a law relaxing the strict ban on abortion.

The Cortes debate on the Government's education Bill, which, like the abortion law, is claimed by the right-wing opposition, to be unconstitutional, opened yesterday with the promise of a fierce confrontation.

The argument centres on relations between the state and church-run private schools which receive state funds. These schools, which form the main part of the private education system, are attended by about 22 per cent of Spanish schoolchildren.

Sr Oscar Alzaga, leader of the fledgeling Christian Democrat PDP party, chose the debate for his first major appearance in the current parliament, leading the opposition attack. The Right challenges the Bill as threatening freedom of education and parental choice and seeks greater leeway in the private system's use of public funds.

The atmosphere has been somewhat eased, however, by the settling of a row between the Government and church education authorities over catechism textbooks issued to Catholic schools.

The Government has revoked its ban on the use of the catechisms, which contain a strong condemnation of abortion, under a promise in which they will not be considered official textbooks. The church in turn has issued an addendum claiming that the listing of abortion alongside war and terrorism is not meant to imply equal degrees of moral gravity.

A hotly contested law lifting penalties on abortion in the case of rape victims, deformities, foeticide and danger to the mother's life, was passed by the Socialist-dominated Parliament last Thursday. Implementation, however, will be delayed by the opposition's appeal to the Constitutional Court on the grounds that it goes against the "right to life" guaranteed in the constitution.

THE FRENCH Government is not normally at a loss to explain its foreign policy. But ever since Iraq ran into problems last year in making payments to France because of declining oil revenues and debt rescheduling, a parliamentary battle over private education less than a week after the passing of a law relaxing the strict ban on abortion.

Embarrassment deepened this summer with the sale of Super-Etendard fighter bombers. The Government is well aware of the risks of Iranian reprisals that would limit the flow of oil through the Gulf, of the hostility to the sale of the U.S. and Britain in particular, and of the opposition of many senior French Socialists who dislike the regime of President Saddam Hussein.

There has thus been no official confirmation in Paris of the delivery of the aircraft. On the contrary, M Claude Cheysson, the Foreign Minister, deliberately sought to deepen the mystery when he said on Sunday night: "Perhaps they will be delivered, perhaps they will not be, perhaps they have already been delivered."

Behind the Government's calculated gamble lies the fact that France has more to lose than any other Western government from Iraq being humiliated in the Gulf war. On civilian contracts, Iraq owed France some FF 1.2bn (£750m) this year. Most of this has now been rescheduled with French banks

and Coface, the government export credit guarantee agency, bearing the risk.

In terms of military equipment, Iraq owed a further FF 7.8bn. Most of this is being met out of sales of oil made available to France by other Gulf states for the benefit of Iraq.

But these temporary financing arrangements will have to be renewed again next year. In all, Iraq is believed to owe France some FF 40bn-FF 60bn, with Coface and through it the French Treasury — having an exposure of FF 25bn (£2.9bn).

The French analysis differs little from that of other Western governments in holding that the risk for Iraq is less of military defeat than being squeezed in a standstill by a shortage of funds. Iran still has the foreign exchange earnings from exports of 1.6m barrels of oil a day. Iraqi exports have sunk to about 700,000 barrels a day. The imperative in French eyes is to restore the financial equilibrium between the two warring states.

The sale of the Super Etendards is intended as a step in this direction. According to officials in Paris, the French aircraft add significantly to Iraq's military capability because they can deliver Exocet missiles with precision against tankers in the open sea. So far, Iraq attempts to hit tankers, bound for or leaving

Iranian ports, with Exocet missiles have failed. This is because they have been fired from Super-Frelon helicopters which cannot get near enough without being attacked by Iranian aircraft, and because a helicopter-delivered Exocet is less accurate.

The French hope the Iraqis will never need to use the Exocets against tankers or Kharq Island, the main Iranian oil terminal, and that the mere threat of them will have a catalyst effect on the conflict. They hope, for instance, that the risk of escalation will encourage Syria, as an ally of Iran, to re-open the pipeline from Iraq through Syria in exchange for Iraq's desisting from the use of the Super

Etendards. They hope that the threat will encourage the Gulf states to be more generous financially to Iraq in an effort to avert a further escalation of a conflict whose destabilising effects on the region they already fear. They hope that it will be taken as a sign that Iraq's allies — by Ayatollah Khomeini's regime — will encourage the Iraqis to negotiate with you."

But if the two superpowers

are divided, the Middle East is in danger of being divided between rival European and U.S. spheres of influence. On this view, France has a positive role to play in providing Middle East states, including Iraq, with an alternative to one of the two superpowers.

But if Iraq's once

These factors, and the hopes of achieving some diplomatic success at the recent opening of the UN General Assembly prompted President Mitterrand a fortnight ago to delay delivery. What still remains unclear is when the aircraft will be operational for use in the Gulf area.

In domestic terms, the decision to go ahead with the sale has met with much criticism. Press comment has concentrated on the risks of the deal. Former President Giscard d'Estaing has warned of the dangers of sparking off a new oil crisis. M Lionel Jospin, the secretary of the Socialist party, said he was personally against it. By contrast, M Jacques Chirac, mayor of Paris and head of the neo-Gaullist RPR, has surprisingly come to the Government's support in declaring that Iraq needed to defend its frontiers by every means.

As for Iran, France's once principal power in the Gulf have diminished significantly in the past two years. President Mitterrand's administration has long been a target of attack by Ayatollah Khomeini's regime because it provides shelter for so many of his opponents. With the delivery of the aircraft to Iraq, France has effectively closed the door to any reconciliation in the foreseeable future.

No Western state has more at stake in the Gulf war, writes David Housego in Paris

Paris takes calculated gamble on jets for Iraq



SUPER ETENDARD: This French-built aircraft will add significantly to Iraq's military capability because it can fire Exocet missiles with precision at tankers on the open sea

Plot and counter-plot in France's terror squads

BY DAVID MARCH IN PARIS

REVELATIONS of over-zealous anti-terrorist activities by para-military security officers attached to the Elysee Palace, have already embarrassed the Mitterrand Government which is trying to reorganise and reduce its numbers.

In addition, Captain Paul Barril, a mercurial figure who has played a leading role in controversial operations by the Government's crack squad of "super-gendarmes," the GIGN, faces disciplinary inquiry by the Defence Ministry.

Captain Barril, a photogenic 38-year-old who has been given flamboyant write-ups in the French press for his prowess at karate, parachuting, diving and crack-shooting, reached the zenith of his career when he helped the Saudi authorities liberate hostages from the Grand Mosque at Mecca in

November 1979.

But now, he is cast as a scapegoat following the Press reports of recent dubious GIGN activities. M Max Gallo, the President's spokesman, last week denied any connection between the Elysee's security services and Captain Barril, who like all gendarmes is formally under the control of the Defence Ministry. But later M Gallo was forced to admit that "contacts" did exist between M Barril and the head of President Mitterrand's anti-terrorist unit, Commander Christian Prouteau.

The most serious GIGN affair was the arrest by an elite squad of super-gendarmes — under the command of Capital Barril — of three Irish nationals in the Paris suburb of Vincennes in August 1982. The Irish trio were immediately described as important international ter-

rorists in a triumphant communiqué from the Elysee.

However, after evidence came to light of significant irregularities in their arrest — including the planting of weapons and explosives — the case quickly rebounded on M Mitterrand. Court charges against the Irish men were formally dropped last week, and two gendarmes face charges of planting evidence.

Publication last week by the Paris satirical weekly *Le Canard Enchaîné* of correspondence between M Barril and a notorious alleged terrorist, M Jean-Marc Rouillan, brought fresh embarrassment to the Elysee.

On Elysee Palace notepaper, the captain is said to have written to the leader of the outlawed *Action Directe* group, wanted by the police for several months, claiming he was

empowered by the President to negotiate with you."

This was one of M Barril's "personal initiatives." M Gallo claimed last week. Another may have been the Captain's contacts with outlawed extremists in Corsica, including M Alain Orsoni, a member of the banned Corsican Liberation movement, the FLNC. M Orsoni's brother Guy disappeared in June. The FLNC claims he was murdered by French secret police — and took revenge last month by killing a top Corsican official.

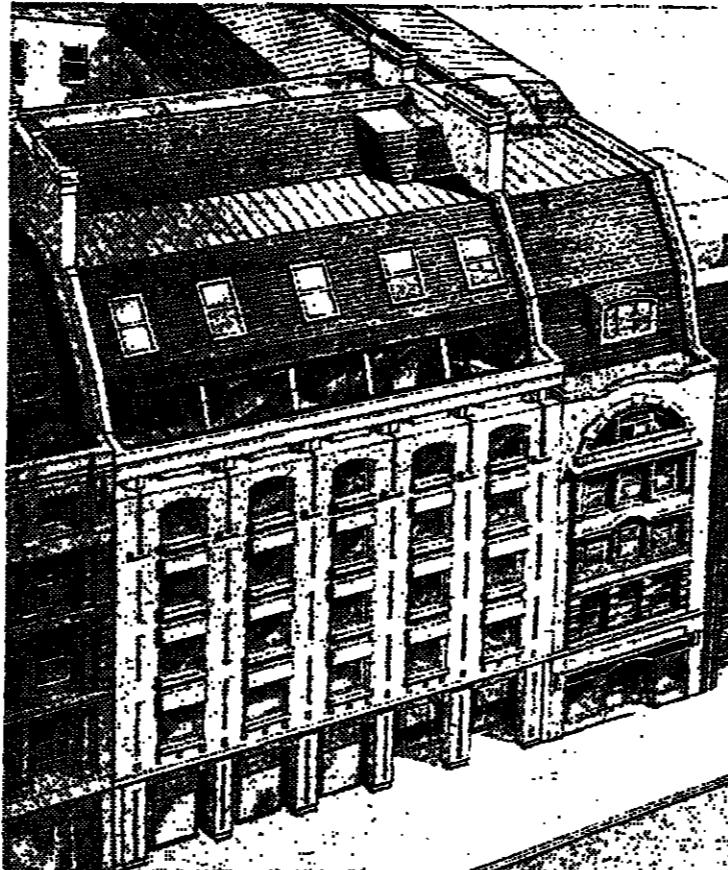
The French press has dubbed M Barril more of a *Tintin* than a James Bond.

M Gaston Defferre, the Interior Minister, tried to calm the row at the weekend when he denied that there was any "war" between rival police forces. Following the weekend

arrest of an alleged Armenian terrorist wanted for his part in the murderous bomb explosion at Orly airport in July, the Interior Ministry ostentatiously underlined the "perfect" co-ordination of all France's security powers.

Adding credence to the theory of plots and counter-plots within France's security hierarchy, the latest press view on the unmasking of Captain Barril is that he has been kept under close surveillance for two months — by none other than France's official counter-espionage service, the Direction Générale de la Sécurité Publique (DGSP).

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Haslemere Estates Plc and Trustee Savings Bank Pension Scheme are pleased to announce that Sherborne House, Cannon Street, London EC4 will be ready for occupation in December this year. Providing some 60,000 sq. ft. of superb new air conditioned banking and office accommodation it is available to let and further details may be obtained from Hugh Stoddart of Collier & Madge on 01-353 9161 or Derek Peacock of Gerald Archer & Co on 01-248 8225.

EUROPEAN NEWS

Martens says steel talks near conclusion

By Paul Cheeseright in Brussels
CRUCIAL DECISIONS for the future of the Belgian steel industry are in the offing, Mr Wilfried Martens, the Prime Minister, said in a newspaper interview yesterday. These will have implications for employment levels and plant closures not only in Belgium, but in the Netherlands and Luxembourg.

The steel decisions involve the conclusion of talks with the Netherlands and Luxembourg on the prospects for future co-operation between the respective national steelmakers — Cockerill, Sambre, Hoogovens and Arbed.

Co-operation would involve seeking to share production so that crude products from a plant in one country might be finished in another. Decisions along these lines would be influential in deciding which plants would be kept open and which would be closed as part of the restructuring of the EEC steel industry.

The talks began last spring and until last month it appeared that the Netherlands was holding aloof. But the Dutch had moved closer to the idea in recent weeks, Mr Martens said.

Government officials in Brussels expect the talks to finish by the end of the month. This will clear the way for a referendum of Cockerill Sambre employees on a restructuring plan involving a cut in the workforce of about a third.

Despite union opposition to the referendum, Mr Martens said the Government would go ahead with it, but, he conceded, only the principle had been decided, not the way the referendum would be conducted.

Total Belgian employment in the steel industry was between 40,450 and 41,000 during the first six months of this year, according to the latest EEC statistics. This compares with 63,600 in 1974.

The fall has been less marked in the Netherlands: from 23,800 in 1974 to 19,900 last June. In Luxembourg, over the same period the workforce was nearly halved to 12,000. Over the EEC as a whole it dropped from 785,920 to 493,300.

MYSTERY SURROUNDS DELAY IN PAYMENTS**CAP hitch fails to move ministers**

BY JOHN WYLES IN ATHENS

A KEY ministerial meeting which is seeking to save the EEC from financial and political crisis failed to respond yesterday to the European Commission's new difficulties in funding the Common Agricultural Policy (CAP).

Not one of the 30 Agriculture, Foreign and Finance Ministers present at the start of the second day of a special EEC Council here asked the Commission about plans to delay the normal transfer to member states of advanced payments — thought to amount to Ecu 400m (£240m) — to finance a range of CAP operations. The delay is said to be prompted by fear that there will not be enough money in the EEC budget to cover the payments before the end of the year.

There was considerable confusion yesterday which the Commission in Brussels was trying to dispel about the amount of money being withheld and why the payments were being delayed until January. Puzzlement extended right to the top of the Commission since it appeared that the decision was taken unilaterally by Mr Poul Dalsager, the Agriculture Commissioner, without consulting his colleagues.

Mr Geoffrey Howe, the British Foreign Secretary, said last night that he would be "less than human" not to welcome evidence of cash flow difficulties in the CAP. But the Council's main concern was to find long term solutions and his overall impression after two days in Athens was that "negotiations are edging forward."

In a lengthy statement, he offered much the most positive view available here yesterday of progress being made. It was too early to expect the Council to start negotiating on com-

promise proposals because it was still at the stage of examining and clarifying existing proposals and deciding what further work needs to be done, said Sir Geoffrey.

He implied that there was a steady drift of opinion towards a marriage of two proposals that are themselves inadequate.

Our Strasbourg Correspondent adds: Members of the European Parliament yesterday discussed supplementary spending plans in the wake of a grim warning from the Commission that CAP funds are near exhaustion.

The Commission is pressing

which companies have to operate. This involves:

• The completion of a unified market, embracing not only simpler border formalities, but the development of European standards and the opening up of public contracts.

• The creation of a unified financial market to provide funds for new technology investment.

• Harmonisation of national and EEC corporate and competition law.

• Harmony of fiscal systems to simplify the tax burden.

• Concentrating EEC resources on industrial development.

is now being seriously joined on proposals that would have been ruled out of court a year ago," he said.

Other delegations, however, have discovered far less movement over the past two days and rather more repetition of well-known national positions. On the key budget question, no other delegation has yet seriously rallied to the British proposal for a "safety net" limiting payments of all the more prosperous EEC member states.

Rather, the majority appeared to be regrouping around a proposal to combine existing Danish and Commission proposals and that Soviet commanders and pilots involved in shooting down the airliner did not know it was a civilian aircraft.

This latest Soviet account conflicts with the official explanation of the incident given on September 9 at a Moscow news conference by Marshal Nikolai Ogarkov, the Chief of Staff.

Marshal Ogarkov said that Soviet radar started tracking the jet before it reached Kamchatka and that four fighters were scrambled to intercept it. He added that the subsequent decision to shoot down the airliner was made by local military authorities.

New Soviet version of airliner disaster

By Anthony Robinson

A NEW element of confusion has crept into Soviet accounts of last month's South Korean airliner disaster following a statement by an unnamed Soviet official that two of three radar installations on the Kamchatka peninsula were not working.

As a result, the jumbo jet's intrusion into Soviet airspace was not confirmed until it reached Sakhalin Island.

The unnamed Soviet official told the Associated Press in Moscow, added that air defence command reacted in confusion and that Soviet commanders and pilots involved in shooting down the airliner did not know it was a civilian aircraft.

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Walesa's peace prize dismissed

By Christopher Bobinski in Warsaw

LAST WEEK'S Nobel Peace Prize award to Mr Lech Walesa was yesterday dismissed by the Polish Government spokesman as "neither the first nor the last episode in the anti-Socialist crusade."

Speaking at his regular weekly Press conference, Mr Jerzy Urban said the award was a prize for "strengthening the divisions in Europe, a prize against peace and co-existence."

In contrast, the underground leader of Warsaw's Solidarity, Mr Zbigniew Bujak, has said the prize was recognition "for the sustained and desperate struggle by peaceful means against totalitarianism carried on for years by the Polish people."

In his rather angry statement, Mr Urban said "a hundred honorary doctorates and thousands of similar awards will not change the balance of power in Poland, or Government policies."

Norway expects to return Kielland oil rig to owners

BY FAY GJESTEN IN OSLO

NORWAY's Government expects to be able to hand the wrecked hotel platform "Alexander Kielland" back to its legal owners, the Norwegian Insurance Pool, in about a fortnight, Mr Asbjorn Haugseth, the Minister of Shipping, said yesterday.

The pool plans to tow the rig to deep water and scuttle it, and has already received tenders for the job from five companies, both Norwegian and foreign. One bid has been submitted by Stolt Nielsen Seaway Contracting, the firm which last month successfully uprighted the airliner.

Today, the official commission of enquiry will go aboard. It plans to spend only one day going through the superstructure looking for possible additional evidence about the rig's condition when it capsized.

When the commission inspection is over, various other interested parties will be allowed aboard under police escort — among them representatives of the rig's builders, the French yard CEFEM.

Haugseth said no formal request had been made to the Ministry that the rig be dry-docked, to allow for thorough inspection of its remaining legs and struts. Critics of the official inquiry commission report have claimed that dry docking could cast additional light on why the platform lost one of its five legs.

Libya detains group of Frenchmen as reprisal

BY DAVID HOUSEGO IN PARIS

FRANCES already strained relations with Libya sharply deteriorated yesterday after the Tripoli regime refused to allow 37 French subjects to leave the country.

The Libyan action is taken to be a direct reprisal for the arrest in France last week of M Said Mohammed Rachid, a suspected terrorist accused by the Italian authorities of murdering a prominent opponent of Colonel Muammar Gaddafi, the Libyan leader.

The French Foreign Ministry yesterday issued a strongly worded protest saying that the Libyan decision was unacceptable. The Libyan ambassador is being summoned again today to the Foreign Ministry in Europe.

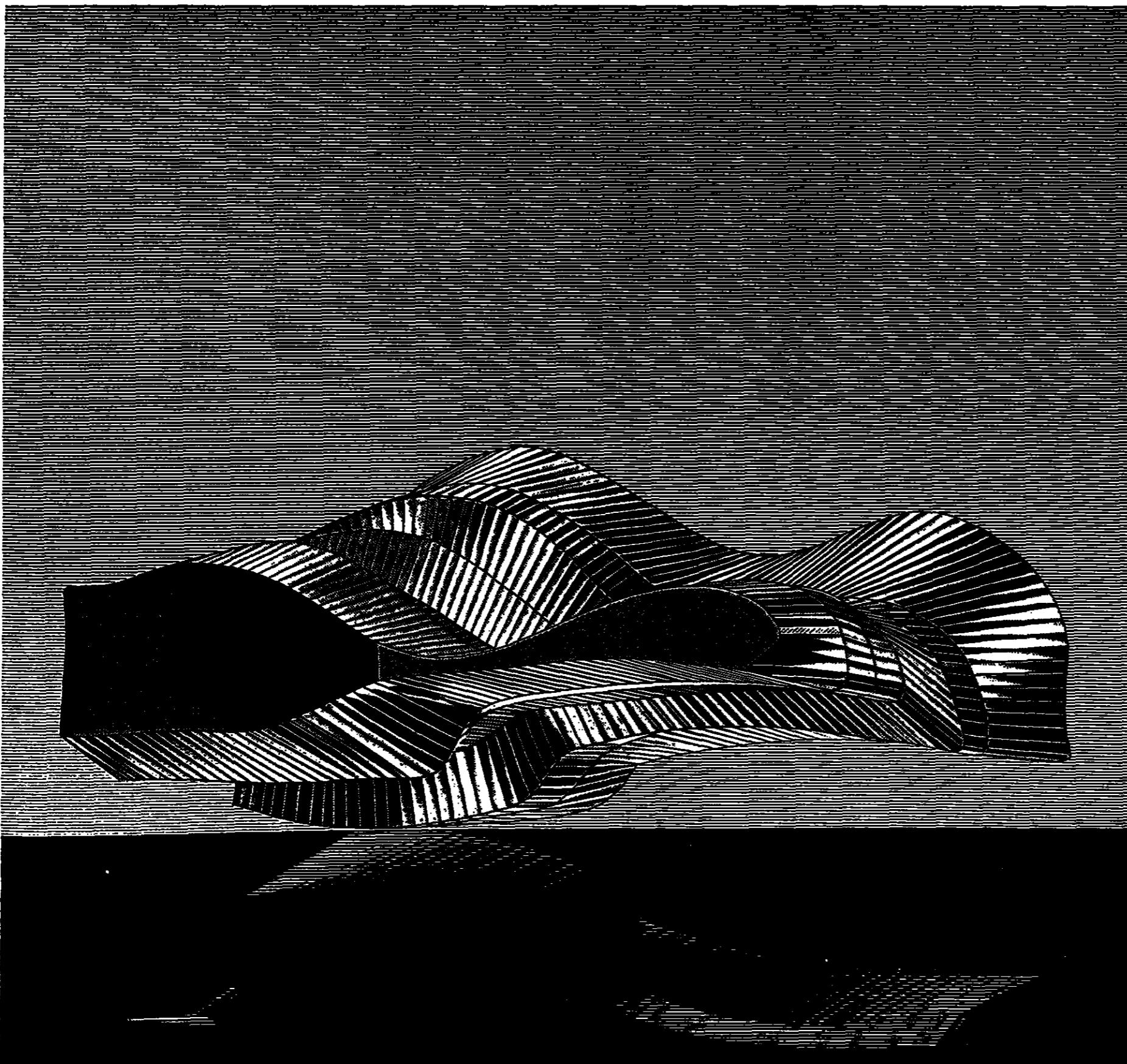
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OVERSEAS NEWS

Political stability means that King Hassan's Government should succeed in rescheduling its foreign debt, writes Francis Ghiles

Drought and war force Moroccans to swallow stiff IMF medicine

AGREEMENT on an austerity programme with the International Monetary Fund is more than a sensitive subject in Morocco: little more than two years ago, a deal sparked off bloody food riots in Casablanca when it involved sharp increases in food prices.

Last month the IMF gave its formal approval to a new programme as part of a package of stabilisation measures including the rescheduling of foreign debt, another round of food price increases, severe cuts in government expenditure and a creeping devaluation of the dirham. But so far there has been no hint of a repeat of the events of two years ago.

King Hassan has had little choice but to go along with further doses of austerity. His country has suffered a whole series of setbacks in the past four years.

It has suffered the twin calamity of drought in 1978-81

and again this year, a one third decline in the price of its major hard income earner, phosphate rock, and growing protectionism in the EEC, Morocco's major market for fruit and textiles.

The rise in the cost of oil and sulphur imports (sulphur is important to the phosphate industry) has been a further burden. Morocco has been living beyond its means. It is also paying a heavy price for the war it has been waging in the Western Sahara against the Polisario liberation movement since 1975.

Despite help from the IMF since 1980 and much belt-tightening since then, a further drastic series of measures was announced last July. They include sharp cuts in investment this year and next, virtual freezing of new jobs in the civil service and hefty increases in personal taxation, including the "solidarity" tax which helps to finance the war in the Western Sahara.

The deterioration in the

age of exports and transfer payments, shot up from 27 per cent in 1980 to over 40 per cent today.

Massive injections of funds from abroad, notably Saudi Arabia and the Gulf, the IMF and France, have helped to cover the current account deficit, but aid from Middle Eastern countries declined by half last year, to below \$500m (£337m).

With hard currency reserves dwindling to \$26m last February, the Minister of Finance, M Abdellatif Jouahri, has had a thankless task this year. He still needs to find \$948m before this year is out: Morocco will chalk up a current account deficit of \$1.3bn in 1983 and has to repay \$1.17bn-worth of outstanding debt. It has been able to draw down \$1.49bn in loans and aid.

Next year it needs a further \$1.7bn: it is hoping to cut its current account deficit to \$850m, will have to repay \$1.38bn in

debt and expects to draw on loans worth \$64m.

The Kingdom's financing needs thus amount to \$2.54bn over the next fifteen months. If M Jouahri can persuade the banks to reschedule all the principal owed to them over that period and convince the Club of Paris to reschedule most of the principal and interest due to Western governments, he will have plugged a \$1.59bn gap.

The bankers' meeting in Rabat last month and soundings by the Moroccans during the annual IMF meeting suggests M Jouahri will succeed. All the major banks present at the Rabat meeting agreed to keep open short-term credit lines they have with the Kingdom, which amount to around \$950m. Of the \$950m the Minister must then find \$320m was pledged by the IMF last month and a further \$150m is expected to be approved shortly by the World Bank.

The Minister has also shown skill in selling his austerity package at home. He has consulted the opposition parties, labour unions and business leaders and shown the patience of Job in winning their acceptance. Nobody in the country has forgotten the riots of June 1981 after unannounced food price increases.

But Morocco enjoys a measure of political stability many in Africa envy despite the concern over the Western Saharan conflict. Contrary to some suggestions the difficulties it faces domestically are unlikely to make King Hassan more flexible on that issue.

King Hassan, Commander of the Faithful, has a religious standing in his country few Arab leaders enjoy. The Alouite dynasty has ruled Morocco for over three centuries and although the King has not always been well served by his ministers, the present Government boasts more competent men than at any time since he came to power

countries where two thirds of King Hassan's subjects live. Few Moroccans last month sacrificed a lamb to celebrate the *Aid El Acha*, the sacrifice of Abraham. Learning to live more modestly is hard for a country so richly endowed by nature.

But Morocco enjoys a measure of political stability many in Africa envy despite the concern over the Western Saharan conflict. Contrary to some suggestions the difficulties it faces domestically are unlikely to make King Hassan more flexible on that issue.

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King Hassan of Morocco

M Jouahri's handling of the debt rescheduling has ensured a fair degree of order, and the Moroccans are hoping that their richer friends in the Middle East will step up their level of aid, thus enabling them to bridge the remaining gap of \$180m.

The two droughts since 1979 have taken a heavy toll in the

20 years ago.

China may purge 2m

BY MARK BAKER IN PEKING

AT LEAST 2m Chinese are likely to lose their Communist Party membership in a wide-ranging reform campaign.

The standing committee of the party's Central Committee is expected to ratify a detailed document this week that will set the rules for a three-year "Rectification Campaign" in the 39m-member party.

The campaign is aimed at weeding out many of the people who won their membership for supporting the "Gang of Four" during the Cultural Revolution of the late 1960s and early

1970s. It will also combat increasing petty corruption, nepotism and inefficiency.

Hu Yaobang, Communist Party General Secretary, told a visiting delegation from the Japanese Socialist Party recently that the campaign would review and consolidate the entire operations of the party.

"I have the impression that this time it will be very strict and re-registration of party members will be made," Mr Masashi Ishibashi, the Socialist leader, said after meeting Hu.

Ghana devalues the cedi

BY QUENTIN PEEL, AFRICA EDITOR, IN LONDON

GHANA yesterday formally devalued its currency, the cedi, by more than 90 per cent, scrapping a complex system of import surcharges and export bonuses designed to achieve the same effect.

Details of the huge devaluation were announced on the radio, moving the official exchange rate from 2.75 cedi to 30 cedi to the U.S. dollar.

The move had previously been firmly resisted by the Ghanaian Government, because of the likely political backlash inside the country. However, it is unlikely to have

a much greater effect on consumer prices than the system of import surcharges of up to 900 per cent introduced last April, as a form of disguised devaluation.

The formal devaluation follows the approval in August by the International Monetary Fund of loans totalling SDR 355m (\$382m), which included a one-year standby credit of SDR 238.5m and a loan from the compensatory financing facility of SDR 120.5m.

The system of surcharges and bonuses amounted to an effective dual

exchange rate, with differential levels of 750 and 900 per cent for different commodities and the IMF deal was reported to include the condition of a return to a unified exchange rate within a year.

The devaluation could well fuel opposition to the regime of Fl Lt Jerry Rawlings, which has survived several coup attempts since it overthrew President Hilla Limann on New Year's Eve, 1981. There are continuing widespread shortages of food and other basic commodities in urban areas.

Burma captures 'Korean terrorist'

Burmese Police captured one Korean "terrorist," killed another and are seeking a third following Sunday's bomb blast which killed nearly 20 senior South Korean officials, the Rangoon

Government said last night. Rangoon reports from Rangoon. No personal details of the Koreans were given nor was it said whether they came from the North or the South. The captured Korean was seriously wounded after he

threw a grenade, injuring two Burmese policemen. Police also arrested two other men, described as "terrorists," one of whom was killed after tossing a grenade, allowing the other to escape.

Government said last night, Rangoon, that the Korean "terrorist" was killed, another was seriously wounded and a third was captured. The captured Korean was seriously wounded after he

threw a grenade, injuring two Burmese policemen.

Police also arrested two other men, described as "terrorists," one of whom was killed after tossing a grenade, allowing the other to escape.

Seoul acts to forestall loss of confidence in economy

BY ALAIN CASS AND ANN CHARTERS IN SEOUL

SOUTH KOREA yesterday acted to forestall any possible loss of confidence in its economy as public anger swelled over Sunday's terrorist bomb explosion in Burma which killed 19 visiting South Koreans, virtually wiping out the country's top economic officials.

President Chun Doo-hwan announced the formation of an ad hoc committee to monitor South Korea's economy, in order, according to officials, to prevent "possible confusion and uncertainty."

The move was coupled with a statement by Mr Kang Kyong-shik, the country's Finance Minister and one of the few surviving members of the economic hierarchy, that the controversial policy of reform and liberalisation "cannot be changed." There was no other way forward, Mr Kang said.

The chief architects of the new policy, which calls for greater exposure of South Korea's key industries to foreign competition in order to improve efficiency, died in the blast, raising fears among foreign investors that the policy

may lose momentum. Other developments yesterday in the crisis, which has raised tension on the Korean peninsula were:

• The return to Seoul of the bodies of 16 South Koreans—four of them Cabinet Ministers—amid harrowing scenes of public grief carried live on national television.

President Chun has accused North Korea of carrying out the bombing. Virtually continuous coverage of the crisis is interspersed with intensive propaganda including newscasts of North Korean army training and films of alleged invasion plans by the North.

Western diplomats, however, said yesterday there was still no firm evidence to say that the régime of President Kim Il-sung is behind the killings.

In Seoul, demonstrators burned effigies of President Kim and called for retaliatory action.

South Korean and U.S. troops have been placed on alert and there are reports of corresponding moves by North Korea, although a military spokesman said this was not

unusual in the circumstances. The announcement that Mr Casper Weinberger, U.S. Defence Secretary, would attend Thursday's funeral in Seoul, this is being interpreted as a reaffirmation of U.S. military support for South Korea.

• Western diplomats said the U.S. would probably ask China, an ally of North Korea, to intervene in a bid to ease tension. Zhao Ziyang, the Chinese premier, is to meet U.S. President Ronald Reagan in Washington on Tuesday.

In his remarks, the Korean Finance Minister said the death of Mr Suh Suk-joon, deputy Prime Minister, charged with spearheading the new policy, and Mr Kim Jae-ik, President Chen's senior economic adviser, was a serious blow.

"Right now, I feel very lonely," said Mr Kang. But the policy will continue because it reflects President Chen's belief and his philosophy.

President Chen is expected to name a new team by the weekend after the funeral which is expected to draw more than 1m people.



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TECHNOLOGY

MAGNETIC LEVITATION SYSTEMS ARE COMING TO THE FORE

Now flying at a height of under 1" . . .

BY ROY GARNER IN TOKYO

1984 PROMISES, among other distinctions, to be the year of the "Maglev," the futuristic vehicle which, by means of magnetic levitation systems, appears to float on air as it is propelled along its track, swiftly and silently, by a linear induction, or linear synchronous, motor.

The UK is to inaugurate the world's first regular Maglev passenger service in the spring, operating between Birmingham's new airport and the nearby railway station.

Meanwhile, all seven nations with advanced capabilities in the technology will be following up on the major research proposals to be presented at the High Speed Ground Surface Transportation conference in Munich, scheduled for the end of this month.

Among items for discussion at the conference, which is one of the products of the Versailles summit resolutions on high-technology development, will be a radically new concept for the application of Maglev systems.

These will be presented by the research staff of the Japan Air Lines HSST (high speed surface transport) project.

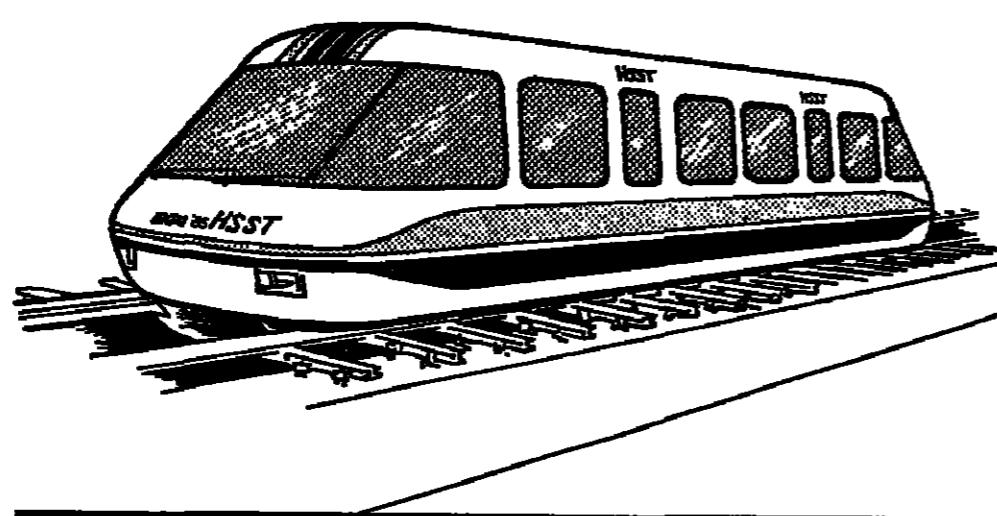
Japan's principal Maglev research efforts have been conducted by Japan National Railways (JNR) since 1962, and Japan Air Lines (JAL) since 1974.

The fundamental differences between the two arise from the different target operating speeds. JNR is aiming for a system capable of speeds of between 300 and 500 kph, while JAL is concentrating on a system with an optimum speed range of 300 kph.

These different goals were an important factor behind JNR's choice of a unit which uses the repulsion force of superconducting magnets to achieve a car levitation of over 100 mm and JAL's choice of a system based on the attraction force of ordinary magnets in which the car sits a mere 10-15 mm above the track.

Both systems have proved spectacular in trials. The JNR's Maglev unit achieved a speed of 517 kph on the 7 km Miyazaki test track in 1979, while JAL's HSST travelled smoothly at 307.8 kph over a 1.3 km section during tests in 1978.

The two systems share the outstanding qualities of very quiet operation and low levels of vibration and friction, which



An artist's impression of JAL's high speed surface transport to be used at Expo 85, Tsukuba, Japan

make Maglev "trains" environmentally attractive, while promising low track maintenance costs. Both systems are however aimed at very different markets and have different points for and against.

JNR's fundamental objective has been to develop a form of transport able to supersede its world famous Shinkansen "bullet trains," and further their purpose of providing a progressively higher speed communications link stretching over the entire Japanese archipelago.

The plans of the Public Corporation have, however, been repeatedly handicapped by the disastrous state of its general finances, which now show cumulative losses equal to almost a third of the national budget.

The main Shinkansen route from Tokyo to Osaka and beyond has, nevertheless, been JNR's number one money-makers: the train speeds are being steadily raised to the 240 kph level, and could reach an upper limit of around 300 kph in 15 to 20 years' time. JNR's hope is that by around the turn of the century a 500 kph Maglev will be ready for introduction initially on the Tokyo-Osaka route, which can then lead the nation into a new era of fast land transport.

The ultimate problem for JNR is going to be the acquisition

of land for track construction, that present so inefficient that details are not being made available.

Other near term research aims include a cut in the weight and size of the on-board refrigerator unit, which is necessary for developing the ultra-low (-268 degrees centigrade) temperatures required to cause a state of superconductivity in magnets. JNR also needs to improve the efficiency of its power source, cycloconverter, develop a multi-pole system, and further study the effect of high-speed car weight on bridges, etc. Some difficulty is being experienced with the development of a system which involves no wire-connected power supply, a necessity in high speed operation. Experiments are being done on the collection of electricity from magnets, a process which becomes easier as speed increases. JNR says it will be able to "pick up" 50 kw in about a year's time.

A major turning point in JNR's work was the switch from an inverted-T shaped guideway to a U-shaped track. The former offered high stability but used up excessive space in the car cross-section. A U-shaped track allows higher speeds with safety, and a conventional cross-section.

JAL's Maglev project was initially designed to offer a high speed airport-city link able to guarantee the airline's competitive

standing as faster conventional long distance rail services were introduced. The system chosen, which is based on West German technology, is remarkable for its simplicity. In contrast to the JNR unit, the magnetic coils are mounted in the vehicle body and the reaction plates on the track, and no auxiliary propulsion system is needed for developing initial momentum. As the vehicle sits closer to the track, less power is needed. In 1974, JAL's unit required 3.7 kw to lift 1 ton, the present HSST 03 consumes 1.5 kw/ton and the design target is only 1 kw/ton.

JAL claims that its avionics expertise has enabled it to develop the advanced control devices necessary to suspend the unit at a constant height above the track. Progress has also been made in constructing a rapidly adjustable track bed, designed to minimise problems from distortions caused by earthquakes or running pressures.

A shortage of funds is holding up JAL's project, though its staff of 30 is being kept busy working on a unit to run at the 1985 EXPO in Tsukuba "science city." A system is also being studied where, at low speeds, a single power unit will be utilised to develop both the lift and the forward thrust.

At the Munich conference JAL's engineers will outline their latest ideas for the construction of Maglev railways. These will have two high-speed (200-300 kph) tracks resting above, and two low speed (60-80 kph) tracks suspended below, a wide platform mounted along single upright supporting pillars. Among the advantages, all four trains would be able to use the same power supply, and the construction costs would be minimised.

The system would be restricted to "normal magnet" levitated units, as the magnetic flux present in "super-conductive" operations would not allow the required proximity of vehicles in motion. JAL suggests the unified fast and slow systems would overcome the common objection of citizens that the construction of high speed trains does not benefit local people. Under JAL's plan, the suspended units would offer a local service, while the overhead trains would serve express stops only.

MARINE DESIGN

World's most efficient bulk carriers

BY HILARY BARNES IN COPENHAGEN

BURMEISTER AND WAIN, the Copenhagen shipyard, has succeeded in making further significant reductions in fuel use by the 64,000 dwt bulk carriers in which it specialises. It has also adapted the design of a new series of fuel-efficient container vessels and product tankers.

The current fuel-efficient bulk carriers were designed to use 40 tonnes of oil a day, but when sea trials were held with the first vessel in 1980, the actual consumption was found to be 36 tonnes at a cruising speed of 15 knots.

The latest in the series, the 14th, which will shortly be delivered to Canadian Pacific, uses 32.3 tonnes a day at 15 knots, according to B and W's chief naval architect, Kjeld Christensen. He says that this makes it easily the most fuel efficient bulk carrier in the world.

But the usual cruising speed for container vessels today is 20-22 knots and Mr S. O. Lund, sales manager, said that owners have shown resistance to the idea of a slower-steaming container vessel.

The Burmeister yard has had a chequered history. It was established as a separate unit in 1980 when its parent company went bankrupt. The yard remains part of the bankrupt estate, which is looking round for new owners.

If the yard can win new orders, its prospects may be good. Although the yard lost Dkr 150m in the 18 months to the end of 1981, when there were heavy starting up costs after a period of inactivity, it made a Dkr 90m profit in 1982 and expects to make at least as much this year.

Since the first of the present series of bulk carriers was constructed, the man-hours required for building each ship have fallen by 150,000 to about 400,000. Mr Lund said that this was comparable with productivity at the most efficient Japanese yards and double the productivity at Korean yards. But as he said, hourly wage costs are at least twice as high in Denmark as they are in Korea. "If we are going to be able to sell our ships, we have got to be able to show that we have got a better product," he said.

Neither Burmeister nor the other Danish shipyards receive direct state subsidies, but they expect shipbuilding finance on OECD-approved terms which is 5% per cent over eight years for up to 80 per cent of the price of the ship.

load from 3,300 to 1,400 20-foot containers and a series of product tankers varying from 53,000 to 71,000 dwt. It has not yet obtained any orders.

The container vessels are designed to achieve maximum fuel economy at 17 knots, but even at 20 knots will use 10 per cent less fuel than any existing container vessel, according to Mr Christensen.

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OVERSEAS
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DIGITAL RESEARCH has extended the graphics capabilities of its popular CP/M microcomputer software so it will run on the Microsoft's MS-DOS operating system. DR's new Graphics Systems Extension (GSE) allows the creation of images, as well as the more usual text and data on a screen.

Software written using the GSX system will also allow these images to be output to printers or plotters.

One half of the GSX software allows graphics to be prepared in any CP/M program (with the help of certain tools), while the other half enables the program to run on a microcomputer.

Digital Research claims that graphics software can now be more easily developed for microcomputers, as well as for microcomputers, by stretching the GSX to run in the MS-DOS operating system, which runs on the IBM Personal Computer. Tel: Newbury 33304.

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PRIME HAS launched commercially the three-dimensional car body design software, PDGS, which the Ford Motor Company wrote for its own use.

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CORPORATE
CULTURE

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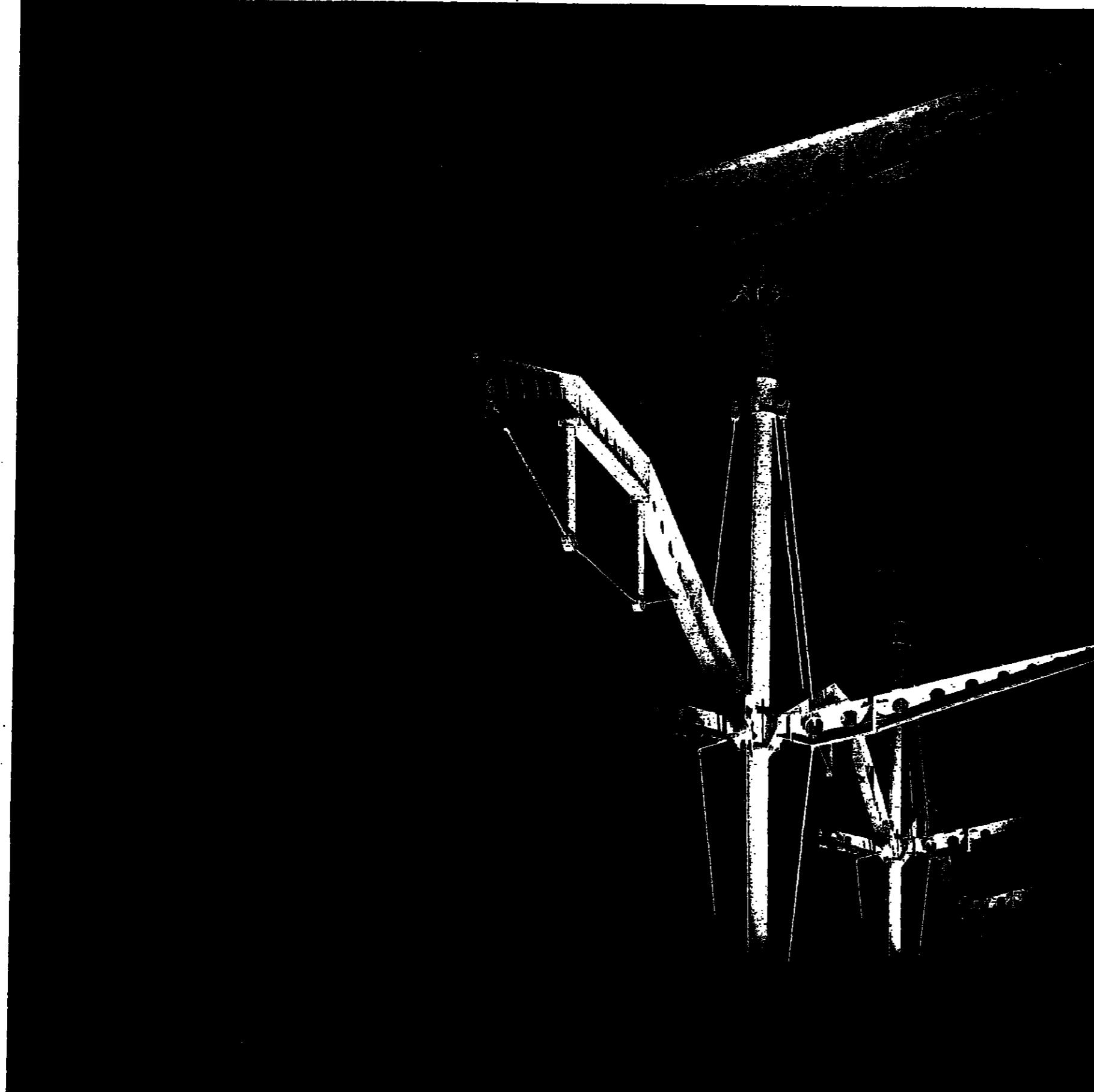
The new Renault Centre in Swindon, near London, shown in the photograph, is a blending of form, function and aesthetics.

Designed by Norman Foster, one of Britain's leading international architects, the Centre is a training school, showroom and warehouse. All in one.

For Renault, one of the world's largest car manufacturers, the future industrial environment does not have to be a sterile concrete landscape.

If one faces today's realities, it can be lively, colourful and stimulating.

RENAULT
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WORLD TRADE NEWS

DOOR COULD OPEN FOR SYSTEM X

India unhappy with French prices for telephone contract

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Government has called for a new round of negotiations with CIT Alcatel after complaining that the French company's price for setting up telephone electronic switching equipment plants in India are too high.

The doors could open the door for British Telecom's System X which has been rejected by the Indian in favour of the Alcatel bid.

The Government now feels that the terms being sought by the French company are too stiff and that the detailed contract would lead to a price more than it is willing to pay. The French are seeking a 40 per cent escalation on the original \$150m offer for a second contract that they have been asked to establish.

The Government has told CIT Alcatel that the offer, which expired on September 30, should be extended by at least four months to enable the two sides to hold fresh negotiations. If this is not agreed to, the Government is expected to call for free global tenders.

As for System X, the Indian Government had been given indications some months ago that the British Government would be willing to subsidise the contract to make System X competitive.

CIT Alcatel was awarded the contract partly for political reasons and partly because of

soft long-term credits offered by the French Government. It was chosen for a second contract for a factory to be built at Bangalore for manufacture of 500,000 lines even though it was not in the short list drawn up after a detailed scrutiny of offers from 10 companies.

The short list was made up by Seimens of Germany, Nippon of Japan and System X of Britain. All were finally rejected on grounds that they had made no sales abroad. CIT Alcatel, which had already been awarded the first electronic telecommunications factory to be set up at Gonda in Uttar Pradesh, was chosen instead on the ground that there would then be uniform technology available in the country.

But negotiations with the French in the past three months have thrown up a number of snags, the most important being the high cost involved since the French are now demanding \$220m instead of \$150m for the second factory. Final terms for the \$150m first factory, for which the Indian Government has issued a letter of intent to CIT Alcatel, are also still to be settled.

The French offer is thought to have been linked to the sale of 40 Mirage 2000 aircraft, the decision to buy which was taken at a high political level. The Mirage deal is unaffected at the moment.

Supreme Court refuses to reconsider unitary tax

BY CHRISTIAN TYLER, TRADE EDITOR

A CAMPAIGN by U.S. and foreign multinationals to overturn a method of taxation employed by a growing number of states in the U.S. suffered a further setback yesterday.

The U.S. Supreme Court refused to reconsider its verdict in a milestone case which sanctioned the use of so-called unitary taxation by the state of California.

Companies in Europe, led by the British, and in Japan and Canada had lobbied the U.S. Administration to add its weight to moves to get the case reviewed.

But President Ronald Reagan, a former governor of California, rejected the advice of his own Cabinet to take that step and also to back legislation.

Container Corporation, a U.S. multinational maker of paperboard and packaging, had

challenged the California tax authorities' right to take its worldwide earnings into account when assessing a local subsidiary for state tax.

By a majority decision in June, the Supreme Court found for California. The verdict was seen as having profound implications not only for U.S. business but foreign multinationals as well.

The failure of the Administration—more by accident than design, it is said—to notify the court of the federal government's foreign policy interest in the outcome was seen by many as having tipped the scales.

British and other ministers then urged President Reagan to make good the omission by filing an amicus curiae brief and helping Container Corporation get the case taken again.

Lurgi chosen to build Dutch hydrocracker

FRANKFURT—Lurgi Kohle und Mineraloeltechnik announced yesterday it has been chosen to build an F1800m (£182m) hydrocracker for a Dutch subsidiary of Compagnie Francaise des Petroles (CFP) of Paris.

The Metallgesellschaft offshoot said it would handle material procurement and construction as well as engineering for the project at Flushing in the Netherlands.

Parts of the design for the CFP Total project will be done by KTI of the Netherlands and Societe de France, Lurgi said.

It said the cracker was to be completed in 1985.

A hydrocracker upgrades heavy oil fractions from petroleum refining to obtain more valuable and more marketable light products, including liquefied gas, gasoline, kerosene, middle distillates and sulphur.

Part of the output is earmarked as feedstock for an ethylene plant in The Hague.

The order was the fifth hydrocracker plant for which Lurgi has been awarded a contract in the last eight years. The Dutch Total subsidiary will employ the union oil process.

AP-DJ

Taiwan TV manufacturers agree common chassis

BY BOB KING IN TAIPEI

TEN LEADING Taiwan manufacturers of colour television sets have adopted a common chassis developed by a quasi-governmental research institute that will significantly lower production costs and make Taiwanese sets more competitive in world markets.

The chassis, whose major functions are directed by two integrated circuits, will lower manufacturers' costs on the component by 15 to 20 per cent. In addition, the common chassis should prove more reliable in service and less expensive to maintain.

The common-design concept may also provide a marketing boost to the manufacturers, which have been hard hit recently by competition from South Korea. Large-scale production of colour sets by the three leading Korean manufacturers have lowered costs there and given Korean manufacturers price advantages of several dollars per set at export.

Production scales in Taiwan, on the other hand, are relatively low, and more than 20 manufacturers are competing for shares of the export market.

Peru bus order worth \$100m

BY DOREEN GILLESPIE IN LIMA

ONE HUNDRED Volvo articulated buses are scheduled to arrive in Lima by December in the first stage of a \$100m order from Peru's Ministry of Transport. The order—apart from buses to be supplied by Volvo do Brasil—includes 300 complete knock-down (CKD) kits from the Volvo U.S. Corporation, Sweden, and 600 CKD kits from Mercedes-Benz do Brasil for assembly here.

The companies are also to supply spare parts, tools, emergency maintenance back-up and training as well as 10-year financing for the full value of the order.

The Transport Ministry awarded the order, along with 300 buses which were to have been supplied by Daimler-Benz

Canon-Apple link 'could mean \$100m Japan sales'

By Yoko Shiba in Tokyo

APPLE COMPUTER of the U.S. plans to sell \$100m worth of computers in Japan by 1986 as a result of its tie-up with Canon Sales, the marketing arm of Canon Incorporated, the president of Apple, Mr Masaya Fujishima, said yesterday.

Mr Fujishima said Canon had been picked from 23 applicants for the job as Apple's Japan distributor.

He spelled out reasons for the marketing venture announced last week. Canon Sales has a powerful distribution channel in Japan, he said, as well as strong management, and a strategy to develop new products competitively with that of Apple.

Canon Sales is currently handling its parent company's office computer Canon System 10 and personal computers, which do not compete directly with Apple's products.

The ability to supply machines handling Japanese language has given the key to success in computer marketing in Japan. IBM Japan last June launched a Matsushita-made "IBM 5550" which handles Japanese language and enjoyed instant success in the Japanese market.

Apple, in a bid to develop Japanese language software, invited 40 Japanese researchers to the U.S. earlier this year, immediately after it established a wholly-owned Japanese subsidiary. Through business ties between Canon and Apple, several types of Japanese software are planned to be developed jointly, and the next spring, according to Apple Japan.

Another purpose of the deal is joint development of computer hardware designed for the Japanese market.

UK contractor's credit for £54m Iraq water deal

By Our Trade Staff

A CREDIT arrangement with the Iraqi state water company has been arranged by one of the subcontractors involved in a £700m project to supply drinking water for Baghdad.

Paterson Candy International, which has a £54m contract for mechanical and electrical work on the scheme, said it had signed a deferred payments agreement with the help of Morgan Grenfell, the UK merchant bank.

The company yesterday would not elaborate on the terms of the deal.

But the agreement is further evidence of the Iraqi's desire to convert cash deals into credit arrangements, at least while the war with Iran continues and its oil revenues are being checked back.

Last week the British Government agreed to support loans of up to £250m in order to help UK companies win export contracts in Iraq. It was also agreed to convert further payments arrears into credit in 1984.

Petrochemical switch

Tomen Kagaku is to withdraw from a proposed Indonesian petrochemical project and its 15 per cent share will be transferred to Exxon Chemicals of the U.S., Reuter reports from Tokyo. The project to build a plant in Sumatra to produce 250,000 to 250,000 tonnes of polyethylene and 300,000 tonnes of ethylene a year by end-1987, was to have been a joint venture between Tomen, Indonesia's state oil company, Pertamina (40 per cent) and Exxon (45 per cent).

Kuwait contract

Mitsubishi Electric has received a Y14bn (£46m) turnkey contract from the Kuwait Ministry of Electricity and Water for the construction of an electrical supply contractorised central office, Reuter reports from Tokyo. Mitsubishi will build the centre, designed to control 120 transformer substations, by September 1986, it said.

The common-design concept may also provide a marketing boost to the manufacturers, which have been hard hit recently by competition from South Korea. Large-scale production of colour sets by the three leading Korean manufacturers have lowered costs there and given Korean manufacturers price advantages of several dollars per set at export.

Production scales in Taiwan, on the other hand, are relatively low, and more than 20 manufacturers are competing for shares of the export market.

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AMERICAN NEWS

Argentina creditors meet to set drawdown date

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ARGENTINA'S leading creditor banks were meeting in New York last night in an effort to set a new date for the country to draw the first instalment of the \$1.5bn (£1bn) loan it has been promised as part of its debt rescue package.

Drawdown of the first \$500m instalment had been set for next Monday, but was postponed because of last week's mini-crisis, which saw the arrest of Sr Julio Gonzalez del Solar, Governor of the Central Bank, by a provincial judge in the Patagonian city of Rio Gallegos. Bankers said yesterday they still hope to complete arrangements before the end of the month.

This will, however, require a number of administrative changes which were due to be

discussed at yesterday's meeting. The changes basically involve altering the schedule for completion of related financial transactions between the banks and Argentina.

Specifically, creditor banks have to agree to a further delay in repayment of \$350m which Argentina owes them on a \$1.1bn bridging loan arranged earlier this year. Argentina cannot pay this money before it has received the \$500m loan instalment now under discussion.

They also have to set a new timetable for completion of rescheduling agreements covering the debts of about 30 public sector agencies. These were previously due to be completed by mid-October. Also, they have to decide on the extent to

which Argentina must eliminate interest arrears on its public sector debt before drawing the \$500m.

The arrears are now thought to stand at less than \$100m with payments due up till the end of September broadly complete. Some bankers argue that September 30 could count as a cut-off date for computation of the arrears, and that the country should be allowed to draw further funds if all interest outstanding on that date has been paid.

But the new timetable for settling arrears and for signing the rescheduling agreements will have to be sanctioned by the International Monetary Fund which has been monitoring Argentina's financial performance very closely..

Support sought for Brazil loan

BY PAUL TAYLOR IN HONOLULU

THE MAJOR New York money centre banks were yesterday attempting to rally support behind the latest \$6.5bn Brazil loan package.

The move emerged during the American Bankers Association (ABA) annual meeting in Hawaii, at which many smaller U.S. banks

have privately been expressing distinct unease about continued foreign lending to some of the financially troubled less developed countries.

As part of the major U.S. banks' selling campaign a delegation of senior Brazilian bankers and govern-

ment officials, led by Mr Alfonso Pastore, was due yesterday morning. Manufacturers Hanover and Chase Manhattan officials, was designed as an information meeting at which Brazil would explain the background to its latest \$6.5bn commercial bank loan request thrashed out during the recent IMF meeting.

Reginald Dale assesses the battle for the Democratic nomination

Gloves off for Glenn v Mondale

THE two leading contenders for next year's Democratic presidential nomination, former Vice-President Walter Mondale and former astronaut Senator John Glenn of Ohio, have finally taken their gloves off.

As Mr Mondale continues to make impressive strides towards the nomination, what has hitherto been a gentlemanly contest between the two men shows signs of deteriorating into a slanging match over past economic policies.

Mr Mondale started it at the weekend by attacking Mr Glenn for voting for President Ronald Reagan's 1981 tax cut, which Mr Mondale castigated as a prime piece of "special interest" legislation — and for massive military spending increases and cruel cuts in human services" at a time when the economy was recovering and unemployment and inflation abating, he maintained.

For good measure, he added, "Reaganomics was the worst massive deliberate economic mistake in our history. It drove us into our deepest recession, cost millions of jobs, resulted in thousands of bankruptcies, saddled the next generation with a trillion dollars of debt, pummeled the American farmer, devastated international trade and ushered in the cruellest assault on social justice in American history."

Mr Glenn angrily retorted that, along with four out of five other Democratic senators, he had voted for a change from the "disastrous, failed policies" of the Carter administration, which had "devastated the economy." His reply was clearly intended to saddle Mr Mondale, President Jimmy Carter's Vice-

President, with responsibility for those policies.

"It is a little like the first mate on the Titanic criticising someone for going for a life-boat," Mr Glenn said tartly of Mr Mondale's attack. Mr Mondale had been part of the administration that gave us 21 per cent interest rates and 17 per cent inflation rates," he added.

Mr Glenn said that he was "saddened" by Mr Mondale's assault, and hoped that such fistfights were not going to become "the norm" in the campaign.

A wider poll of Iowan Democrats showed Mr Mondale ahead of Mr Glenn by 46 to 27 per cent — a significant lead in the state which holds the first delegate selection caucus for next summer's Democratic convention in February.

Organised labour is meanwhile pledging to pull out all its organisational stops in support of Mr Mondale, who was formally endorsed by the AFL-CIO, the country's largest labour federation, last week.

For the AFL-CIO the drive will be motivated as much by the desire to demonstrate that it can get its chosen candidate nominated as by personal support for Mr Mondale.

Many observers now believe that, barring surprises, Mr Mondale and Mr Glenn will be the only two out of seven candidates with sufficient resources for a protracted campaign.

Court refuses review of MCI suit

By Stewart Fleming in Washington

THE U.S. Supreme Court refused yesterday to review a \$1.8bn anti-trust judgment which an Appeals Court awarded this year in the company's long running anti-trust suit against American Telephone and Telegraph (AT & T).

Both companies yesterday offered conflicting interpretations of the court's ruling. According to MCI, the court's decision leaves the lower court and Appeals Court rulings that AT & T did violate anti-trust law standing, and leaves the two companies with the task of battling out the level of damages which should be levied.

But AT & T said yesterday that the Supreme Court's decision not to hear the case and not to comment on that stance, did not imply that the court supported the earlier judgments against it and that therefore the question of both guilt and damages went back to the local court in Chicago.

MCI originally brought the anti-trust case against AT & T in 1974 alleging, among other things, that the company was illegally preventing it from having access to the local telephone system. The case subsequently developed into a path-breaking legal battle and was one of the forces which contributed to the decision to break up the AT & T monopoly of the U.S. telephone system.

MCI has been one of the star performers on Wall Street in the past three years, profiting from the freedom which communications companies have won to "piggy-back" on the AT & T telephone system and offer competitive services. Since 1980 its sales have risen from \$144m to \$1.7bn.

Sea-Land chief executive resigns post

By William Hall in New York

CHARLES HILTZHEIMER, chief executive of Sea-Land and one of the best known figures in the world container shipping industry, has announced his resignation. The move comes only a month after R. J. Reynolds, the consumer goods conglomerate, announced it was studying the possibility of spinning off Sea-Land, the world's biggest container shipping company, as an independent unit with a stock market quote.

When it announced its plans, Reynolds said that if the spin-off went ahead, Mr Joe Abely, who had been in the running for the top job at Reynolds, would take over as chairman and chief executive of Sea-Land.

Mr Hiltzheimer has spent 20 years with Sea-Land and has been instrumental in building it up into one of the best managed companies in the world container shipping industry. Last year, it earned \$1.57m on revenues of \$1.6m and its ships serviced 180 ports in 58 countries.

Mr Hiltzheimer, who has headed Sea-Land for the last seven years, plans to pursue other personal interests. His departure comes at a difficult time for Sea-Land. Apart from the disruption of a possible spin-off from its parent, R. J. Reynolds, the shipping company is facing fierce competition. Mr Malcolm McLean, who sold Sea-Land to Reynolds for \$500m in 1982, is building 12 giant container ships for his U.S. lines, which are intended to compete on the high seas with Sea-Land within the next year.



Regan... assessment will be welcomed

U.S. trade deficit 'will make \$ weaker'

By Paul Cheshire in Brussels

THE DETERIORATING

trade balance of the U.S. will

make the dollar weaker, Mr

Donald Regan, the U.S.

Treasury Secretary, said yes-

terday.

His assessment will be wel-

comed by EEC leaders who

have been complaining per-

sistently about the strength

of the dollar and the effect

of this has had on their stability

or European currencies. This

concern about the dollar has

led to sharp criticism of

Washington for maintaining

high U.S. interest rates.

Mr Regan said that even if

interest rates fell by several

points, he was doubtful if this

would be reflected in the

value of the dollar.

"Countries with a weak trade

balance year after year have

a weak currency," he com-

mented.

Speaking from the U.S. to

reporters in Brussels, Mr

Regan surveyed the prospec-

ts for the U.S. economy

and also said that he stuck to

his prediction that the Con-

gress would pass the neces-

sary legislation to permit an

International Monetary Fund

quota increase by the dead-

line on November 30.

The U.S. trade deficit is

expected to reach a record

level of over \$50bn this year.

Over the longer term, this

would overshadow the pres-

ent strong demand for the

dollar from abroad, Mr Regan

said. As far as interest

rates are concerned, he pre-

dicted a fall provided the

Reagan Administration stays

on its present path.

Diesel tank blown up in Nicaragua

By Tim Coone in Managua

A LARGE OIL tank filled with

diesel fuel was blown up at Ni-

caragua's Pacific port of Corinto

late on Monday night. Some

1,500 people living in the vicin-

ity of the port have been evicted

and, according to local informa-

tion, the fire was still raging on

Tuesday morning with thick

smoke billowing across the town.

Other fuel storage facilities

next to the destroyed tank are

not thought to be in immediate

danger, as the neighbouring

tanks are believed to be empty.

The Nicaraguan Ministry of

Defence has announced that it is

mounting a major land and sea

operation to track down the sub-

versary team that carried out the

attack, and, although no one has

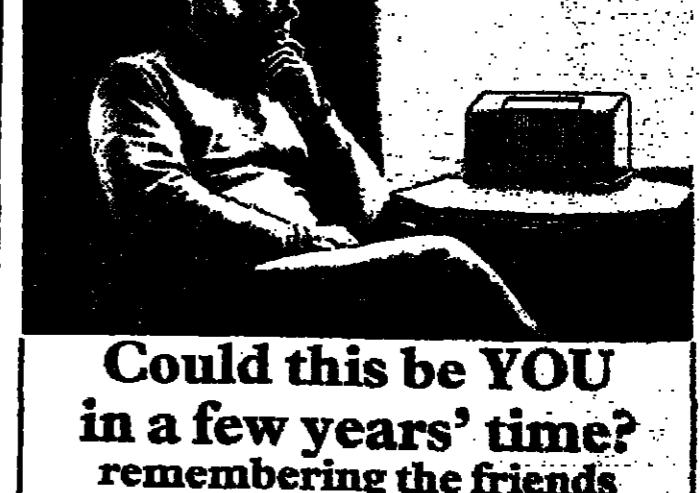
yet claimed responsibility for the

attack, the oil storage facilities at

Corinto have been the target of a

number of failed sabotage at-

tempts.



Could this be YOU in a few years' time? remembering the friends who used to call.

He served, provided, through years of dedicated professional service to others. He looked forward to an old age of dignity and basic comforts — standards he'd known since childhood. Now infirmities have diminished his pension and savings. Retirement has left him on his own.

It's lonely people, such as he, whom the DGAAs help. Financially, when illness or infirmity makes it no longer possible. With friendship and support when their own families are no longer there.

Consequently, when an infirm or ailing person is left alone, it's the DGAAs who are there to help. They are there to help elderly friends in their time of need.

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The Airline of the Year chooses the Aircraft of the Future.

British Caledonian, Airline of the Year, demonstrates what it takes to be a winner. In choosing the all-new A320 for their long-term fleet development, they express a vote of confidence in its ability to fulfil all the criteria of modern airline management. Underlining the superiority of the aircraft which will lead air travel into a whole new era.

A private, independent company, B. Cal. has been able to make an unbiased commercial judgement based purely on economic and technical requirements. Part of this judgement is to

maximise profitability through extending the use of their current short-haul aircraft in anticipation of delivery of brand new European technology towards the end of the decade. Saving now to buy better, later.

Airbus salutes the Airline of the Year.

 **Airbus**

UK NEWS

BP holds out over crude oil terms

By Richard Johns

CONTINUED RESISTANCE by British Petroleum is delaying acceptance of the British National Oil Corporation's (BNOC) price proposals for North Sea crude varieties for the fourth quarter.

BP and several other trading partners of the corporation are understood still to be holding out against the new set of "differential" or price variations, proposed by BNOC. Maintenance of the \$30 per barrel reference price for Brent Blend is not at issue.

One objection is because the suggested readjustment of differentials will involve a slight increase across the board in the average weighted price.

The rise would be little more than 0.5 per cent. But BP is believed to argue that even such a small increase is unjustified when the prospect is for a weak market.

The companies yet to accept the proposal point to the steady decline in spot market prices since the beginning of August and a build-up of stocks on land during the third quarter in industrialised countries of 1.3m barrels a day - a higher rate than had generally been expected.

BP, in particular, objects to the proposal that the official selling price for its Forties crude should be raised from \$29.75 to \$29.90, arguing that this would over-value it in relation to Shell-Esso's Brent Blend. It and the other companies also disagree with other changes in differentials suggested by BNOC.

Stock Exchange membership backs plans for reform

BY JOHN MOORE CITY CORRESPONDENT

MEMBERS of the London Stock Exchange yesterday voted overwhelmingly in favour of proposals which will lead to the biggest structural upheaval in the history of the market.

At the largest meeting of members ever held in recent memory, 860 stockbrokers and stock jobbers voted in favour of constitutional changes which will admit outsiders into the system of government at the stock exchange, while 63 voted against.

The outcome of yesterday's vote now clears the way for the Department of Trade and Industry to exempt the Stock Exchange from the effects of legislation under the Restrictive Practices Act. Last night the Trade Department said that it "welcomed the decision of the Stock Exchange members."

Sir Nicholas Goodison, chairman of the exchange, said that the result enabled the stock exchange authorities to "go forward doing everything we can to ensure we continue to run a competitive and well-regulated central market."

The vote yesterday on the admission of outsiders to the Stock Exchange Council and the creation of a variety of self-regulatory bodies for the stock exchange represented part of a package agreed with the Government in June this year.

The Government agreed to exempt the stock exchange from the operation of restrictive practices legislation provided the exchange agreed to admit outsiders to its self-regulatory mechanisms and dismantled its rules setting minimum scales of commission on transactions carried out in the market.

More than 4,000 members were entitled to vote on the constitutional changes admitting outsiders to the stock exchange's ruling council.

Editorial comment, Page 14

About 2,000 members had voted by proxy, some 32 per cent of those votes cast were in favour.

Up to 1,000 members of the stock exchange attended yesterday's meeting at the Chartered Insurance Institute in London. Sir Nicholas faced a barrage of questions during a tense meeting. Many members of the market are unhappy about the deal concluded between the exchange and the Government, and the commercial implications for their businesses.

Sir Nicholas was asked whether a timetable had been agreed for the dismantling of commission scales. He told the meeting that no timetable could be given, except that members had until the end of 1988 to dismantle the scales, but he expected the council to draw up plans during November and early December.

Sir Nicholas told the meeting that there was no alternative to the Government's deal, and that if the Government's bluff were called the stock exchange would once again become subject to restrictive practices legislation.

He was asked whether it would be possible for an outsider to become chairman of the market following the constitutional changes admitting outsiders. Sir Nicholas told the meeting that it would be possible.

A poll of members was asked for by nine members of the meeting, but Sir Nicholas headed off the challenge by calling for a vote by a show of hands. After the members had voted, Sir Nicholas asked whether those seeking a poll still intended to go ahead. But the dissenters at the meeting decided to abandon the move.

Conservative Party conference at Blackpool

Killers face minimum 20-year jail terms

BY OUR POLITICAL STAFF



Leon Brittan

more than five years' imprisonment for an offence of violence should be released on parole except in specific circumstances, he added.

Mr Brittan said all these measures would "increase the number of violent criminals in custody and dim their prospects for release."

However, Mr Brittan, offering the olive branch to his liberal critics, said he was examining ways of getting out of prison some of the fine defendants, drunks and mentally disordered offenders, for whom prison was not the proper place.

A major assessment of the function of the probation service was also under way, while he intended to reduce from one year to six months the minimum qualifying period of imprisonment before a prisoner could be considered eligible for parole.

An increase in the starting point for income tax is likely to remain a priority for most of the current Parliament over a further reduction in the basic rate, Mr Peter Rees, Chief secretary to the Treasury, told the conference.

This represents the most emphatic statement since the general election of the shift in the government's tax priorities over the last 18 months.

Treasury ministers now believe that the greatest impact on incentives can come from raising the lower threshold and so taking workers out of the income tax net altogether. This contrasts with the original emphasis on cutting the basic rate which would principally benefit middle-income groups and the better-off.

The shift also reflects the recognition that there is unlikely to be much room for manoeuvre for tax cuts over the next few years.

Mr Rees said the government attached "a very high priority to raising the starting point for income tax," though he pointed out that it would cost £75m for every £100 change. He added that a further reduction in the rates of income tax "must yield precedents for that."

Mr Peter Walker, Energy Secretary, told the conference that he favoured privatising the coal and gas and electricity industries in a form that would increase the influence of management and workers.

He announced a review of the energy industries to find a system of control whereby "those who work in and run the industries can have a greater participation and interest in their success."

Parkinson dismisses resignation reports

By John Hunt

MR CECIL PARKINSON, the Trade and Industry Secretary, has emphatically declared that he has no intention of resigning as the result of the love affair he has had with his former secretary Miss Sara Keays.

"Yes, I will continue. I intend to continue in office," he said in a robust and confident reply to questions on BBC television.

Mr Parkinson, the former Tory Party chairman, in his first public comment since making his statement that he was the father of a baby expected in January by Miss Keays, dismissed as "entirely fiction" reports that he was "cowering towards resignation."

There had, he said, been huge speculation based on nothing. But then he voluntarily added a further comment which seemed to hint that he was leaving the door open to his eventual departure should the pressure on him become unbearable, or if Mrs Margaret Thatcher, Prime Minister, felt she could no longer stand by him.

"The Prime Minister appoints all ministers. If I ever cease to be an asset and become a liability to the Government and to the Prime Minister felt that, then I would leave immediately."

There was strong applause at the conference yesterday when Mr Parkinson's name was mentioned, first by Mr John Gummer, his successor as party chairman, and by Mr Peter Rees, Chief Secretary to the Treasury.

Mr Gummer said the party was fortunate in having in Mr Parkinson an outstanding secretary of state.

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ENERGY REVIEW

Congo's ideology eroded by oil rush

By Quentin Peel, Africa Editor

THE EMERALD oil field lies just 12 miles off the coast of the Congo, no more than a 10-minute helicopter ride from the port of Pointe Noire.

Fourteen years ago, it was the first major oil find of this country in what was then an impoverished former French colony, whose main claim to fame was as the first self-proclaimed Marxist state in Africa. The country lived in the shadow of neighbouring Zaire, and eked out an existence from the exploitation of its tropical forests, and providing a transit stage for traffic to the interior.

When oil production began at Emerald in 1974, it started a process which has pushed per capita income in the Congo to the third highest level in black Africa, and has simultaneously eroded much of its ideological commitment. With only a slight hiccup in the mid-1970s, production has increased from a mere 6,000 barrels a day (b/d) in 1972 to more than 100,000 b/d today from six fields.

Yet ironically, Emerald itself has failed to live up to the riches which its name implied. With an estimated 600m tons of oil reserves in the field, it produced only 27m tons in its first 10 years of production, or less than 3 per cent. With current techniques, it may never yield more than 5 or 6 per cent—30m

Emerald's problem is one of extraction

tons—of what otherwise would rank as a huge oil find.

In comparison, Congo's other principal fields can be expected to produce around 30 per cent of reserves, according to oil industry estimates: 9-10m tons out of an estimated 31m tons at Likouala in the south, 12-15m tons out of 45m at Loango in the north, and 25m-27m tons out of some 50m at the most recent major production field of Yanga-Sendji.

The problem at Emerald is that the oil is thick and viscous—"just like butter," in the words of M Rodolphe Adada, the Minister of Energy—and lies at a relatively shallow depth of between 200 and 300 metres below the seabed. Water injection will not move it, because it simply moves past it, and gas injection has also failed.

CRUDE OIL PRODUCTION
1971-83
Barrels a day (b/d)

1971	300
1972	6,000
1973	11,000
1974	17,500
1975	24,100
1976	49,000
1977	56,200
1978	55,700
1979	64,100
1980	82,410
1981	92,000
1982	108,500
* Forecast	115,000

FF estimates

is to inject steam into the well to heat up the oil-bearing rocks of oil until at the same time injecting chemicals to assist in the extraction.

The experiment is intended to last three years, and will cost some FF 500m (525m), involving the construction of two prototype platforms for the field. One will be a modified production platform, linked to the second, a utility platform which will support two major steam generating units and desalination plant to purify the seawater before it can be used in the country.

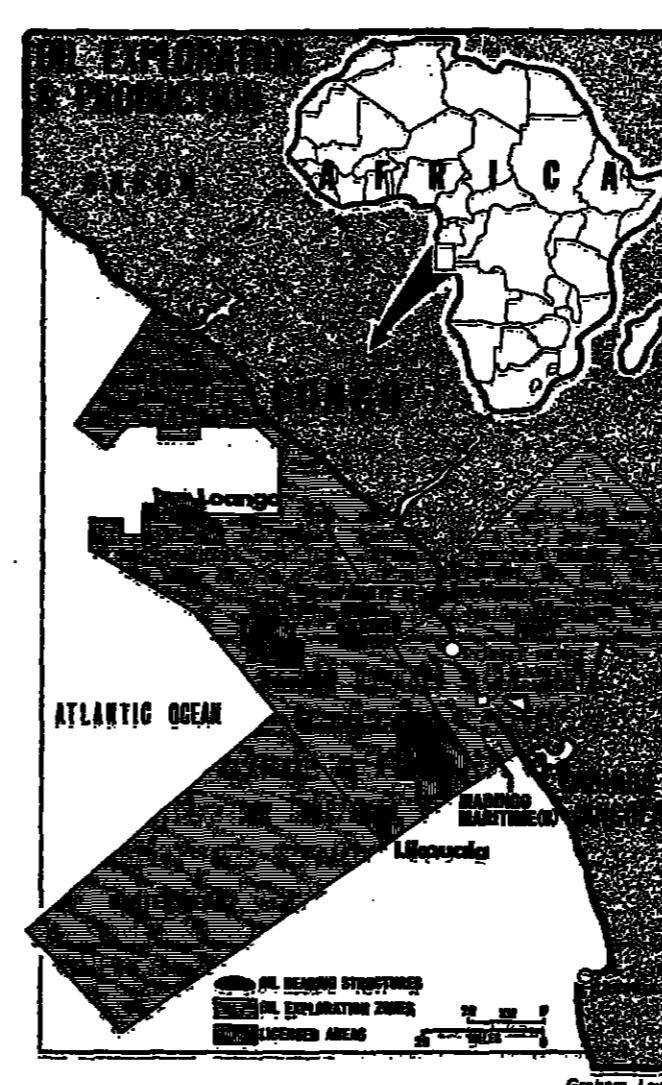
Apart from Elf, the other major oil producer is Italy's Agip. But the Congo Government is keen to attract other companies into exploration. Elf-Congo has 100 per cent of the small offshore production from Pointe Noire, and a dominant 45 per cent share (with Agip the minority partner) at Emerald, Loango West, Likouala and Yanga-Sendji. Agip has a 60 per cent participation and operates the Loango East field.

As far as exploration is concerned, several other operators have already come in. In the Marine 1 permit area north of the Loango field, Cities Service and Superior Oil have joined Hydrocongo, and the oil minister said the same type of contract involving payment of royalties and tax by a company with mixed capital. "We never call for tenders," the Minister said.

"We discuss directly with the companies concerned."

The Government has also proved pragmatic in its oil pricing and sales policy, undercutting the Opec price, and thereby managing to increase its production even in the current international climate.

The major markets for



problems which present them-Congo's crude are the USA, Brazil and Italy, 450,000 b/d has been sold for between \$22 and \$27 a barrel in recent months, at least 10 per cent below the Saudi Arabia's light crude market price of \$29. In normal circumstances Saudi crude would fetch a lower price, because of the greater distance it has to travel to the same markets.

The drop in the oil price, however, has caused recent problems in relations between the oil companies and the Government. Taxation was based on an assumed price of \$30 a barrel, whereas the selling price had fallen substantially below that level. Elf in particular has pressed for a

flexible taxation formula which would allow for such price fluctuations. The Congo Government was equally keen to ensure that its tax receipts from oil—which represents almost 70 per cent of state revenues—did not fall too sharply.

In the event, a compromise solution was reached in June to reduce the standard price to \$22 a barrel, with a clause adjusting the level upwards automatically when the market price increased. The agreement also allows for periodic review.

At its current production rate, Congo ranks fifth among oil producers in black Africa, a long way behind Nigeria, and slightly behind Angola, Cameroon and Gabon. It could move up to eighth in 1984. However, with a population of less than 1.7m, the domestic effects of even that modest level of oil production are considerable.

Oil revenues provide by far the largest source of financing for the ambitious five-year development plan, which aims to

spend between CFA FF 1,720,000 (23.97m) and CFA FF 1,960,000

CONTRACTS

£40m street cleaning job in Saudi Arabia

Bengreen (Holdings) associate company, AL-KHODARI ESTABLISHMENT, has won a £40m five-year contract for refuse collection and street cleaning in the Dammam district in Saudi Arabia. The contract starts in March 1984.

Henry Boot Building has been awarded two management contracts totalling £1.2m. Under a \$100,000 contract, Henry Boot is to construct a warehouse and office complex for UniChem in Hinckley, Leicestershire. Within the 61 metres x 85 metres steel-framed distribution depot there are two-storey offices and secure storage. External paving, drainage, fencing and other works are included. The company is also to construct a specially insulated £100,000 cold store within existing premises in Wembsbury, Staffordshire, for Everest Frozen Foods. The work is to be undertaken on a management contract basis.

A 1960s-built West End office block which saw service in 1968 has been awarded a £1.2m refurbishment contract to the developer of the despatch yard and remedial works to a warehouse for the Co-operative Wholesale Society at South Wardpark, Cumbernauld, worth almost £750,000. Other contracts awarded are worth almost £1m, and include refurbishment of residential property in and around Glasgow, alterations to a nursery assessment centre at Wishaw and construction work for the UK Atomic Energy Authority at Dounreay. Fairclough Scotland is part of AMEC.

£10m work for London and Northern Group

LONDON AND NORTHERN Three Rivers District Council, Faversham, will also build residential units at the Kestrel District Hospital in a £2.2m contract for Oxfordshire Regional Health Authority.

Further north, Wilsons (North East) of West Cumbria, County Durham has been awarded two contracts worth £610,000 for revitalisation work on 98 houses at Tudehoe, County Durham. John Crossland, of Cleckheaton in Yorkshire, is to build a garage forecourt for Carr or Morley at Morley, near Leeds in a £130,000 contract and for £55,000 will put in a drainage system at Metrocure at Chipping Sodbury, W. J. Taggart (NI) Ltd is to build 38 houses in a £1.2m contract for Property Services Agency at Lisburn. Border Engineering Contractors is to build extensions to the Roman Catholic Church at Silloth for Lancaster RC Diocesan Board and erect 14 flats in King Street, Aspatria, for Allerdale District Council in contracts worth £330,000.

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THE ARTS

Television/Chris Dunkley

A case of sour grapes



Francesca Annis and James Warwick in "Agatha Christie's 'The Secret Adversary'"

Has anybody ever complained about the novels of Molly Parkin standing alongside those of Boris Pasternak on the shelves of a public library? It sounds unlikely, and yet many members of the European middle-class seem to feel that it is the eternal shame of television that its more highbrow material is closely hedged about with what they often call American "rubbish". The reason, no doubt, is that while you are unlikely to find yourself reading Molly Parkin by mistake it is all too easy to punch the wrong button and find yourself in the middle of *Hart To Hart* when you wanted *Marriage Of Figaro* as happened to some of us on Saturday.

The rage which American programmes cause among Europe's esthetic-thinking classes is remarkable. Speaking earlier this month at "Circus", the annual international broadcasters' conference connected with the *Prix Italia* broadcasting festival, Eckart Stein of the German company ZDF warned his colleagues about the supposed dangers in what he called the race to wire Western Europe for cable television.

After giving a list of U.S./UK companies (including, incidentally, Goldcrest, the Financial Times' sister company) within Pearson Longman, which are hoping to run cable in Europe and/or the UK, Eckart declared: "My God, how exact the Americans are with their Food and Drugs Administration, but where is the warning on the pack of the Hollywood TV Cable Satellite Joint Venture Ltd: 'The Surgeon-General has determined that consumption of the stuff packed in the U.S. communication system is dangerous to your mind and soul'?"

His sentiments were echoed by several British speakers. But who is it that gives European broadcasters and especially the British such a superiority complex about American television, especially drama? Perhaps the answer is *Bags From The Black-stuff*, *Muck And Brew* and *Brideshead Revisited*. Certainly American television seems to have failed to produce a single series to compare with these in its entire history.

However, even Britain only manages one or two a year like that. Most of what is produced in this country and in Europe is nearer to being on a par with the U.S. output, yet you very rarely hear anybody in the business admit it. The common assumption is that we produce quality goods while they turn out rubbish, albeit popular rubbish. Individual taste is all that counts in the end, of course, yet there seems to be surprisingly little evidence to support this supercilious view.

Compare and contrast *The Rockford Files* and Sunday's two-hour ITV drama special which, presumably for market-

ing purposes, went under the unwieldy title of *Agatha Christie's "The Secret Adversary"*. Thanks to the vagaries of life in the age of the video recorder I happened to watch these one after the other, and there were some striking contrasts. The British programme looked more expensive. Indeed it shirked of money, an impression which arrived even before the programme: the phones in the Press handout were by Lord Snowdon. In the programme itself vintage cars chased across the landscape, Francesca Annis modelled an entire collection of period costumes, goodness only knows what the Rita chases, London Weekend to film its interior, and of course the sheer length of the thing spoke of cash.

Watching it was rather like flipping through a 1920 Harrods catalogue except that the writing in the catalogue would presumably have been better. After all the years of burlesque under mounds of parody you cannot simply exhume lines such as "You little fool!" and "You're clever, I'll say that for you" and "I want supreme power!" and expect the public to take them straight-faced. The greatest drawback, however, was the plot. Whereas the costumes,

sets, cars, trains, enamel advertisements, hairdos and locations were all wholly convincing the plot was wholly unconvincing.

And not just in the way that all such thrillers tend to be unconvincing: it made no sense even in its own terms.

The equally dotty plot in *Rockford*, on the other hand, was a very nicely crafted piece of work: faced with confidence tricksters who sold merely the forecast when pretending to sell a whole hotel, Rockford decided that mineral rights must be included in ownership of the forecast and set about drilling for oil. The complications of this beautiful new association with his new associates and the importance of the hotel mostly made all worked very sweetly. Given that Rockford doubtless cost a fortune of the Agatha Christie I know which I would buy if I were a foreign television company.

It is quite possible of course, even probable, that broadcasting intellectuals would dismiss the Christie programme as readily as *Rockford* and for the same reason: that their very popularity hints at their worthlessness. Yet if there ever was justification for such smoothness it is now about 10 years out of date. Many of the American

series so successfully exported all over the world are far from mindless rubbish.

The argument needs to be turned round: one of the reasons why middle and even lowbrow American programmes are so successful is because they manage to combine qualities which British and European broadcasters seem able to provide only separately. Far too often our own programme makers appear to believe that you can have either entertainment, relaxation and humour or you can have the problems and preoccupations of being human.

Either you have a laugh with *Blankety Blank* or you have your witties wrung by *20/20 Vision*. Either you indulge in the gormless time-passing "entertainment" of *Crossroads* or you confront a knotty social problem in *Play For Today*.

Contrary to the easy ridicule of the Eckart Steins, the great strength of so many American programmes is that they bring together those two aspects of entertainment and social concern, and deal with them in a way which holds the attention of an astonishingly broad cross-section of the international public. This is true in comedies such as *MASH* and *Cheers* just as much as in drama series

such as *Lou Grant* and *Hill Street Blues*.

True they can be heavy handed and long-winded. Last week *Taxi* occupied an entire episode with the efforts of Laika, an immigrant with a piping voice, to become the all-American-guy, the point being that when he succeeded his colleagues all relented him and wanted him to stay the familiar funny little foreigner. It was overlong, but it did deal with a problem all too familiar to working groups, and it was funny.

The same can be said of *Barnaby Miller*. The liberal sentiments in this police station are sometimes heaped up with a trowel, but at least social realities play an integral part (as they did once upon a time in such seminal British series as *Steptoe And Son* and *Till Death Us Do Part*) and the gags. The same can hardly be said of *Private Eye's* own current comedies which are mostly boringly familiar servants of old formulae.

Naturally not all the American series which come our way are free and different. *The A-Team* is merely the Robin Hood/Magnificent Seven gangster-mesmerist over again, and *Remington Steele* involves an infinitesimally small variation on the detective series theme.

However *The A-Team* is vastly more entertaining than Britain's own *Dark Side Of The Sun* (for example) and I would much rather relax in front of the wise-cracking *Remington Steele* than (for instance) *The Gentle Touch*.

When you actually compare the content rather than the received reputations of their series and ours it is difficult to avoid the suspicion that all the talk about "rubbish" and "danger to the mind and soul" is caused mainly by the taste of sour grapes.

Incidentally, 10 or even two years ago no viewer would have had any doubt about identifying the protagonists if you had described an evening's schedules in which one channel was showing the whole of the National Theatre's *Orestes* (reviewed here on Monday), its more popular sister channel was showing a new twenties costume drama, and the opposition for lack of any better idea was sound undeservedly casual — has had its grandeur as well as some notable falls from grace: the *Romance* of 1978 and the *Second Concerto* for Orchestra of 1979, to mention only two examples, were fascinating essays, flawed, but ripe with promise. At his most concentrated and vivacious, Holloway achieves a musical working and a tone of voice both original and persuasive: a quirky, lushly

ing operation.

It has not been the smoothest run-up to next Saturday's *Die Fledermaus* premiere. Rebecca Schreiber has led Opera North to cancel two other performances this week, and an accident on stage over the weekend caused Monday's performance of *Die Fledermaus* to be presented with an apology for the inadequate scenery.

No excuses, however, could cover the desperation of the dialogue, the stilted gestures and the miscalculations of pace. Marilyn de Blieck, winner of a Benson and Hedges prize four years ago, makes a very good presence in English, Orlowsky in the traditional

importation of an Austrian mode.

For the rest, the cast for this Johann Strauss operetta is like an assembly of decent ingredients inexpertly mixed and only half cooked. Of the remembered directorial fizz of *West Side Story* for the comic take and comic touches of Eric Shilling! Of the wit and elegance of Christopher Hassell's lyrics, displaced here by the deadening translation of David Pountney and Leonard Hancock! Pausing only to compliment Clive Thuniss as conductor, I sink from the theatre reflecting that I have never enjoyed a *Fledermaus* so little.

Die Fledermaus/Grand Theatre, Leeds

Arthur Jacobs

Fly Away Home/Lyric Studio

Martin Hoyle

William Humble's first full-length play follows several years of television work. This explains both the fluent dialogue and the confidence of a newcomer.

Flexibility that is, of time and place. Tim begins his narrative on the detective series theme. However *The A-Team* is vastly more entertaining than Britain's own *Dark Side Of The Sun* (for example) and I would much rather relax in front of the wise-cracking *Remington Steele* than (for instance) *The Gentle Touch*.

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ing operation.

The couple's ultimate acknowledgement of theatrical form and audience, and the final note of domestic tragedy, fleetingly recall Peter Nichols' *Joe Egg*.

Quick's steely will beneath the coarseness is never more apparent than when it snaps. When she sobbingly explains her need for children and the need for a woman to touch a nerve that transmits the authentic ache between two people tied to each other but unable to get closer than bewildered cross-purposes.

Tim Woodward's beautifully gauged study of beaming domesticity verging on the fatuous never topples into exaggeration. Roger Lloyd Pack's evil genius, the perpetually snarling radical, is more of a stereotype.

Occasionally the wordiness suggests a dramatised novel, and middle-class London angst is a familiar theme; but the writing is immensely promising, and in Peter James's production the acting is considerably more.

Holloway's Idyll/Festival Hall

Dominic Gill

The trouble with any romantic idyll is that it so easily turns to rambling corn — and in these pitiless and deeply unromantic latter years of the 20th century, hollow corn at that. Robin Holloway's affair with romanticism — "flirtation" would sound undeservedly casual — has had its grandeur as well as some notable falls from grace: the *Romance* of 1978 and the *Second Concerto* for Orchestra of 1979, to mention only two examples, were as precious and self-consciously mannered as the English "sheens", "shewn" and "thru-out" of the score directions. There are some elaborate spatial rearrangements during the performances (instrumental groups moved from back to front and back again) which make no perceptible musical, or music-theatrical, point. The final chords, a screech of a major thrice repeated after a page or their impressive preparation, were stunningly bathetic: three giant sugar bunnies on the Christmas cake.

Mackerras devoted the rest of his programme (the *Second Idyll* lasts about 20 minutes) to a Rossini overture, Beethoven's fourth symphony, and with Gidon Kremer and Kim Kashkashian to Mozart's *E flat Sinfonia*. Concerning that last, it is evident that soundness in a score does not guarantee a good acoustic — hollow, acoustically dead with inner light (Kremer merciful, volatile, urgently lyrical, Miss Kashkashian less delicately nuanced, but forthright and warm).

Arts Diary

The Royal Shakespeare Company this week embarked on a pioneering three-month tour of the byways, rather than the usual theatre highways, of England and Northern Ireland.

Sports centres and schools will provide the setting for three productions by an 18-strong company led by Sheila Hancock.

The only theatre venues are Spes in Bridlington and Margate Winter Gardens, more usually host to end-of-termer comics and popular entertainers.

In addition to the productions of *A Midsummer Night's Dream*, *Romeo and Juliet* and *Edward Bond's Derek*, the company plans a series of school workshops based on Shakespeare plays.

Tickets for the tour, which is sponsored by National Westminster Bank, have been selling fast in the 22 towns and villages. The sole note of dissent was struck or rather penned, by a disgruntled teenager. "Your play means we can't have our football practice" he (though one never can tell in these fast-changing times) complained.

Three years ago in response to the worsening financial position of young musicians, the steep increase in the cost of instruments and the loss to overseas buyers of many fine old British instruments.

Next year's Edinburgh Festival is to begin one week earlier. Following the drop in box office takings because of the departure of international audiences by the end of August the Festival Council has decided that the 1984 Festival will run from August 12 to September 1 instead of the previously agreed dates of August 19 to September 8.

Struggling young musicians

Obituary/Sir Ralph Richardson

Sir Ralph Richardson died on Monday at the King Edward VII Hospital in London. He was 80. His wife, Meriel Forbes, was at his bedside when he died.

A hospital spokesman said Sir Ralph, who died peacefully, was admitted to the Marylebone hospital a week ago with digestive problems. He had been appearing in *Inner Voices* at the National Theatre until his appointment by Lord Esher when the Old Vic was scheduled to become the potential National Theatre.

He then played a miscellany in plays new as well as classics; most memorably in *Home With John Gielgud*, a duo that was revived after he had returned to the National Theatre in *No Man's Land*.

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Struggling young musicians

F.T. CROSSWORD PUZZLE No. 5,240

ACROSS

1 Hire-tent collapsed — how unlucky (8)

5 Funny face? Enough to make Dickens' illustrator go back (6)

9 Sideways walks in corridors? (8)

10 Fish's line marked on map? (6)

12 As far as one can go on motorway, illuminated all round? (5)

13 Distinct distribution of hair? What is the thinking behind that? (9)

14 Kind of envelope from Oriel, perhaps? (6)

16 Bang on head? (7)

19 Coin tossed in French take not uttering much? (7)

21 Nimbused silver, possibly (6)

23 eg Stern to bow? (9)

25 General church-doctor once (5)

26 Jock's devil finds booty in Civil Service (6)

27 Cyclist's protection against vifters? (5)

28 "Black Beauty" for example — young horse in extremes of equestrianism (6)

29 Unfolded manœuvre in ex-pilot? (8)

DOWN

1 Booze very quietly in top-hat (6)

2 One who cannot get off in masonic circles (9)

3 Leaflet closely followed, we hear (5)

4 Supra-orbital arch that can be painted? (7)

6 O, this rain! Dispel it! (9)

22 Scolded? Keep out of sight among diplomats (6)

23 Some graze brazenly in

24 Book, in some circles, can

be a mouldy thing (5)

25 A half-century on the or side is according to the rules of the game (5)

Solutions to Puzzle No. 5,235

1 *GRASSAT* *PAULINE* *WEEK*
2 *LAURENCE* *SCOTT* *LAURENCE*
3 *TONY* *BLANC* *TONY*
4 *SAMSA* *ETTER* *ETTER*
5 *SPONCE* *GRIM* *GRIM*
6 *FRONT* *PROCTER* *PROCTER*
7 *AS* *JOHN* *JOHN*
8 *STEPHENY* *GOULD* <

FINANCIAL TIMES

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Wednesday October 12 1983

Stock market and the Bank

THE PROPOSALS to reform the London Stock Exchange have safely cleared the first hurdle, with the approval by members yesterday of constitutional changes allowing outside to hold seats on the Exchange's ruling Council.

Legislation can now go ahead to free the Stock Exchange from the clutches of the Restrictive Practices Court, and discussions can get under way to fulfil other commitments, notably the Council's agreement to phase out fixed scales of commission.

Internal dissent

But the Council cannot afford entirely to ignore the rumblings of internal dissent among the membership of the Stock Exchange. A substantial number of members feel that the affair has been badly handled, although the opposition could not be properly focused upon the particular resolutions being voted on yesterday.

It would be better, perhaps, if the membership had greater opportunity to speak directly on more centrally relevant issues as the timetable for dismantling the commission scale.

Sir Nicholas Goodison, the Stock Exchange's chairman, has turned down several requests for referenda, with the argument that authority must stay with the Council.

Yet the debate over who really holds sway over the Stock Exchange is likely to remain active. Nominally the Stock Exchange is a self-regulating body—and perhaps the most powerful example of one in the financial markets. In many respects, its performance has been impressive. But the climate is shifting. For the first time, the Stock Exchange has submitted to formal monitoring procedures by the Bank of England and the Department of Trade and Industry. The membership has not yet been given a clear explanation of what this means—neither has the much broader body of users of the market, both direct and indirect.

In the past, the Bank of England has been an active supporter of self-regulation, as opposed to the statutory procedures favoured by the Department of Trade and Industry in controlling insurance companies or unit trusts. For example, the Bank has supported the develop-

ment of the takeover panel, and the creation of the Council for the Securities Industry—designed as an umbrella body to stave off political pressures for the formation of a statutorily-based Securities Commission.

In a different political climate, however, the Bank appears now to have tired of the CSI, which has certainly been disappointing in its impact. In seeking reform at the Stock Exchange the Bank has brushed the CSI aside—much to that body's chagrin—and has sought to flex its own muscles directly.

As at Lloyd's of London, the insurance market, the Bank is adopting a role at the Stock Exchange which is based neither upon statute nor primarily upon self-regulation. At present, the only basis for the Bank's role at the Stock Exchange is that its formal right of veto of lay members of the Council is being written into the Exchange's deed of settlement.

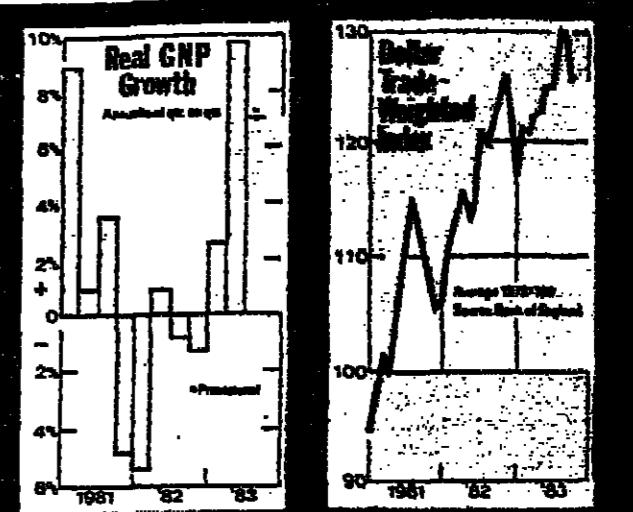
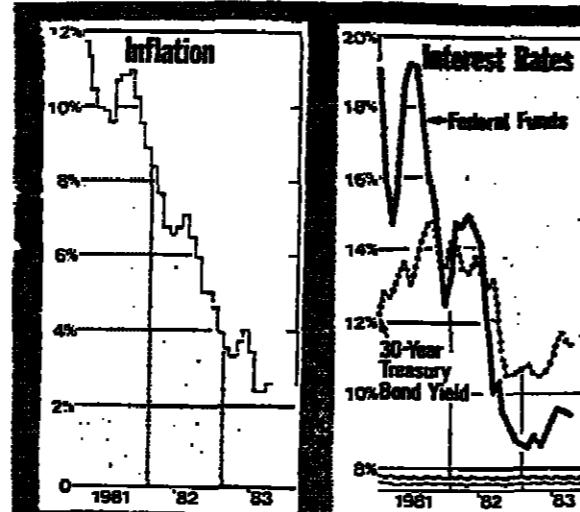
Otherwise, there is only the implied threat of legislation should the Exchange fail to co-operate.

In fact this Government is the least likely of any in recent history to contemplate legislation in this field. This may be why the Bank feels confident of being able to expand its own influence. But it is a strategy which could go badly wrong under a different kind of Government—even a Conservative one.

Temporary powers

The way ahead lies in strengthening self-regulation, not in blurring it, and if ever there was a politically correct time to refine the self-regulatory mechanism, this is it. The Bank should resist the temptation to seek a permanent monitoring role, but should think in terms of only temporary powers during a strictly transitional period.

The objective should be to bring about the formation of a streamlined Stock Exchange Council, with strong outside representation, capable of more rapid response to public interest requirements. Only by such means could a self-regulatory framework be sustained in the long term in a market which is central to the City of London's financial prosperity.



Graham Lawes

The lurking threat to Reagan's recovery

Anatole Kaletsky reports from Washington on the state of the U.S. economy

comment to Mr Martin Feldstein, chairman of the Council of Economic Advisors and in theory the top economist in the White House, who has become a lone voice in the Administration calling for lower deficits and higher taxes.

It appears that the many friendly critics of Reaganomics, from Mr Feldstein to Mrs Margaret Thatcher, the British Prime Minister, have lost all their credibility with President Reagan by "crying wolf" about the deficits for the past two years. These fiscal conservatives were so preoccupied with their battles against the interventionist proponents of demand management and economic "fine tuning" that they ignored the classic Keynesian lesson about budget deficits: a deficit will generally tend to pull an economy out of recession, although recovery may be thwarted by tight money, high interest rates and overvalued exchange rates.

Now, as the economic cycle moves beyond the recession phase and the calls for fiscal prudence become more apt, the conservatives are being ignored in their turn.

There is, meanwhile, growing concern that Mr Reagan may have no intention of reducing deficits—even after the 1984 election—if that means raising taxes. This is the fundamental reason for the fears of inflation which are again building up in Wall Street and the volume of analytical comment suddenly being devoted to inflation.

Nobody seriously believes any longer that inflation may soon be eliminated altogether. For instance, Wharton Econometrics recently described the outlook for inflation as "extraordinarily favourable" when it was predicting a rise from 3.2 per cent this year to 5 per cent in 1984 and 6.1 per cent in 1985.

The bond market, too, has been showing signs of worry. Bond yields this summer rose substantially more than short-term interest rates. This indicated that "bond markets were becoming much more skittish about inflation," one investment firm, Evans Economics observes.

Confirming the same view, stock prices are showing signs of detaching themselves from bond market movements and continuing to rise even on days when bonds hesitate.

Some analysts believe that stocks are coming back into favour as hedges against inflation. At the very least the market's behaviour suggests that a period of "profit-push" inflation lies ahead. This would presumably be followed by rising wage settlements which tend to follow inflationary trends, rather than lead them, in an economy which is moving

gradually out of recession.

Now, all these indicators of renewed inflation are still very tentative and could in principle be reversed in the year or two ahead. Even with the fiscal stimulus of budget deficits as high as the \$130-200bn range, and even if the Fed follows a fairly open-handed monetary policy, it would take several years of rapid growth for the U.S. economy to hit the sort of serious labour market and supply bottlenecks which were largely responsible for the great inflation which began in the late 1960s with the deficit financing of the Vietnam war. This, indeed, is one of the reasons why the Reagan Administration is so sanguine about current economic prospects.

But there is another, more immediate problem—next year the market's fears of inflation will be a greater threat than inflation itself to both President Reagan and the U.S. economy.

If these fears lead to higher interest rates, as next year's election campaign gets underway, they could tempt the Fed to loosen the monetary reins further, whether in response to pressure from the White House or from the struggling debtor countries in the developing world. This would in turn arouse further fears of inflation. Alternatively they could hurt Mr Reagan in the opinion polls, aggravating the political uncertainty—in short, a potential vicious circle of financial and political jitters.

This whole cycle would become considerably more plausible if the slide in the dollar which began last month turns into the long-awaited major decline. Indeed a sharp fall in the dollar is probably the most important single factor which could drive U.S. inflation well above the 5 per cent expected by most economists for next year.

In the past few weeks, as the time for President Reagan to announce his expected re-election bid approaches, some of the more sophisticated thinkers in the Republican Party have started thinking about this "scary scenario" in which the deficits and inflation re-emerge as a major political issue.

At the very least they believe the President needs some "insurance" in the form of some new ideas, compatible with his fundamental ideological convictions against income tax increases, which he could bring out if such a crisis of confidence occurred. A number of these, ranging from largely rhetorical to elaborate fiscal reforms, are now under discussion among Republican politicians.

To begin with the rhetoric. Mr Reagan is likely to call again for a constitutional amendment requiring the Federal government to maintain a balanced budget. This idea would be so obviously unrealistic for a President who

has run the biggest deficits in U.S. history, that it would al-

most certainly disappear rapidly as a serious issue in the campaign.

A return to the gold standard is another far-fetched proposal which could re-emerge in Mr Reagan's campaign. This is an idea which has always appealed to the President intuitively and one which he has personally studied at length.

With traditional conservative economists and even monetarists now out of favour, the main source of economic inspiration for the White House comes from "supply siders" like Mr Reagan's old friends, Professor Arthur Laffer and Congressman Jack Kemp.

Mr Feldstein believes that such a tax should ultimately replace income tax altogether. This is scarcely conceivable in view of the administration's complexity and the difficulty of making a general tax as progressive as income tax.

Supply siders have long maintained that tax cuts are only half their prescription. Ideally, the currency must also be protected against inflation by returning it to the gold standard. Because it would kill inflationary expectations once and for all, a gold standard would make high interest rates unnecessary and guarantee that budget deficits could not cause inflation.

Index-linked bonds, similar to those introduced by Mrs Thatcher in Britain, are under the special treatment of capital gains and radically simplified corporate tax allowances. In exchange for losing these loopholes, 80 per cent of U.S. taxpayers would find their marginal tax rates reduced to 14 per cent, the maximum marginal tax rate would be cut from 50 per cent to 20 per cent, and 70 per cent of taxpayers would pay less than under current law, at the expense of the other 30 per cent who currently exploit the system to the full.

The other novel proposal for tax reform has come from a Democrat Senator Bill Bradley. The idea is simply to eliminate the roughly 100 special exemptions and deductions available to U.S. income taxpayers, abolish the special treatment of capital gains and radically simplify corporate tax allowances. In exchange for losing these loopholes, 80 per cent of U.S. taxpayers would find their marginal tax rates reduced to 14 per cent, the maximum marginal tax rate would be cut from 50 per cent to 20 per cent, and 70 per cent of taxpayers would pay less than under current law, at the expense of the other 30 per cent who currently exploit the system to the full.

This proposal is in principle highly attractive to many Republicans, including the supply siders, who believe that reducing top marginal tax rates is of paramount importance. But unfortunately for Mr Reagan, if he does decide to back tax reform as a solution to the budget deficit problem, the Bradley reforms have already been endorsed by Mr Walter Mondale and several other aspiring Democratic candidates for President.

In fact there will be no better way for the Democrats to wrong-foot Mr Reagan in the campaign than to make a major issue of tax reform. For incumbent Presidents are supposed to decide the agenda of an election campaign. "You can't get caught just reacting to anybody or picking up their political leavings," as one top Republican politician puts it.

But with the deficits looming, inflation creeping up and the markets growing nervous, Mr Reagan may have no choice by that time next year.

Men & Matters

Call to arms

Not content with the grey, official version of its accounts published by Her Majesty's Stationery Office in August, the hugely profitable Royal Ordnance Factories bathed themselves yesterday in the glory of a full-colour annual report.

Guns and ammunition bristle from the glossy pages in a display designed to dazzle potential investors in the City. The ROFs are the state arms works and the Government wants legislation to allow the injection of private capital.

Citizens will have no trouble finding the major source of the ROFs' \$68.8m profits last year. Just as the makers of paper cups are said to take their profits from the sale of the paper they use, so the ROFs' accounts show that over half their \$449m turnover comes from selling ammunition.

The report relies discreetly on basic sales figures to demonstrate the success of the ROFs' work.

Fred Clarke, ex-director of IBM (UK), who is chairman of the ROFs, prefers to stress in his statement "the year of

achievement in making an effective contribution to the support of our Armed Forces during the Falklands crisis."

He reaches even greater heights of diplomacy in his arms-maker's view of war: "This latter element fortunately occurs only rarely," Clarke writes.

Party line

Supportive comments about Cecil Parkinson, the harassed trade and industry secretary, follow the injection of private capital.

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Treasury ministers are accustomed to Conservative conferences hanging on to every word they utter about taxation. The fact that the reference made by Rees to the Parkinson factor took precedence provided his own comment on the current troubled state of the party.

There is nothing new in politics, of course. A century ago the young U.S. was taking the same sort of political problems robustly in its stride.

When president Grover Cleveland (a Democrat) found himself in a similar predicament to Cecil Parkinson the crowds in the streets of Washington shouted: "Ma, Ma, where's my Pa? Gone to the White House: Ha, Ha, Ha!"

Ironically, it just so happens that as these charming old sights disappear, a worrying drop in the number of visitors has occurred. July, usually a boom month, saw a 10 per cent drop on last year, the first double-digit fall ever.

While the two trends may not be connected, the islands' authorities seem to realise that some of the past is worth keeping. Old Singapore hands

say wryly it is not a moment too soon.

Inside politics

Denmark's most celebrated prisoner, Jørgen Glistrup, founder and leader of the anti-tax Progress Party, will receive his first prison leave to be present at his party's annual conference next weekend.

But Glistrup, aged 64, came close to losing his leave privilege after breaking the "house rules" last weekend. While on an outing with other prisoners from his jail near Elsinor he allowed himself to be interviewed by Danish TV. The rules state that prisoners on outings should avoid contact with outsiders.

Glistrup began serving a three-year sentence in the summer for a series of tax fraud convictions after a case which took nine years to go through the courts. He is not cut off from party politics, however. He leads his party by countless telephone calls.

Meanwhile, Glistrup's wife Lene is to stand for the party chairmanship, filling in during her husband's involuntary absence.

Sorting out

The Royal Mail, it seems, has not been getting through on time, if at all, to outlying regions of SE and SW London.

After waiting 14 days for an order posted in West London, one reader rang the Post Office customer relations department to find out what was going on.

The trouble, he was told, was due to a move to computerised sorting. "Why hadn't the public been informed?" he demanded. "We did consider it," came the reply, "but we decided it would produce bad customer relations."

Observer

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"Press-political correspondent of True Romances"

Desert song

Chancellor Helmut Kohl of West Germany, arriving in Jeddah on Sunday for an

BRITISH TELECOM DISRUPTION

On the edge of a 'black hole'

By David Goodhart, Labour Staff

THE DISRUPTIVE action by telephone engineers in London over the past few days underlines again the latent power of workers in the telecommunications industry.

Paradoxically, it also shows why the Post Office Engineering Union will almost certainly lose the battle to stop privatisation of British Telecom—due to become law early next year.

Already the present dispute has cost the union several hundred thousand pounds and rarely has the Government presented such an immovable target.

Yet the first essentially "political" strike against the Government since 1979 has all the hallmarks of a major confrontation:

• An inexperienced, but ideologically committed left-wing union leadership.

• A cautious, apolitical membership torn between loyalty to the union (and a genuine hostility to privatisation) and deep anxiety over "taking on" an elected Government.

• Key groups of activists—especially in London—willing and able to inflict considerable damage on international and domestic telecommunication links—with strong support from other BT unions.

• A Government with a reputation for standing up to strikes, especially by public sector monopoly unions, that is not going to be defeated from privatisation—a central feature of its second term strategy.

• A possible legal showdown involving the 1982 Employment Act arising from the related POEU action against BT's new private sector rival, Mercury.

• A British Telecom management which, having wrung what it believes to be a good deal out of Mercury for connecting the new phone system to the BT network and having persuaded the Government not to break up BT, now backs privatisation and accepts Mercury.

However BT believes that the union will not destroy itself in a political battle it cannot win, a battle that led to last weekend's unprecedented lock-out in London's international telephone exchanges.

The management takeover was prompted partly by the unexpectedly speedy deterioration of the system, but a move to increase the pressure on the union leadership would have been taken regardless.

By forcing the POEU to step up the industrial action—which for the past few months has seldom involved more than a handful of members—BT hopes it will soon find the costs unbearable. The union is pledged to pay strikers average after-tax earnings from its funding fund of £1.1m. A technical officer earns about £150 a week and an average technician £150 so that fund will be depleted in a matter of weeks if the disruption continues at anything like its present level.

Even when the industrial action levy of £1 a week per member is reimposed, funds will bleed away far too fast for a union with total assets of only £4.5m. BT appears to believe that the black-hole strategy—as union officials call it—will either force a rethink or will involve the reluctant wider membership and split the union wide open.

Attempts to call national action— involving the union's 132,000 members—would be risky. At a special conference last month, a substantial minority (48,713 to 30,924) voted against industrial action.

A large number of activists wants to keep its powder dry and see what privatisation brings. It is safe to assume that there would be a majority against a showdown among the rank and file.

So is the union heading for a major defeat over an issue that allows no room for compromise? Probably not, for two main reasons. First, despite the rhetoric about stopping privatisation through sheer industrial muscle, a number of executive members—on Left and Right—accept that it is unstoppable.

The action is thus implicitly seen as a marker for the future. As one senior official said: "We are showing the shareholders and the management of a newly privatised BT that we are not some tame trade union."

The second and related reason why the union is unlikely to be smashed on the rocks of privatisation is that it will quite simply retreat before it is defeated. It will not be drawn into BT's black hole. It will continue its selective action—possibly pulling out even more crucial BT staff on TV and satellite links—but in a financially bearable way.

Some activists still believe that industrial action can persuade the business community to force BT to retreat. That is still the official rhetoric although Mr Bryan Stanley, the right-wing general secretary, and others of the old guard emphasise that the action is part of the wider publicity and parliamentary campaign.

The activists' confidence is sustained by the unfounded belief that the union's last (and first) national campaign of industrial action in 1978 drove high-level City delegations to plead with the Government to give in. That campaign, for the shorter working week, did hit the system and won the union a 37½-hour week long before other groups of workers—but the effect of strike action on the highly automated exchanges can be exaggerated.

The POEU has had policies against privatisation and

Trevor Humphries
A union demonstration against the privatisation of British Telecom earlier this year

and failed to make a dent in the last election campaign. It was the anxieties over privatisation whipped up by the last executive that led to its own downfall at the June annual conference when it appeared not to be pursuing the campaign with sufficient vigour. The 14-9 right-wing majority was turned into the same majority for the Left.

The Left did not move immediately as some had expected, but waited until August before starting a low-key blacking campaign against the three Mercury parent companies. When it finally decided to restart industrial action against privatisation—last used against Government departments before the election—it ensured there was solid support and maximum effectiveness in the international division.

The union arguments have remained consistent. Despite the erosion of the public service element of BT, they are based fundamentally on justified fears of worsening conditions.

At a time when technology is rapidly changing old working

practices and BT's profit centre reorganisation is already blowing cold winds through previously secure niches, privatisation seems the last straw to many engineers. They have enjoyed job security and a place near the top of the manual worker earnings league for many years. But as Mr Stanley said at a mass meeting earlier this week: "Do any private companies have the sort of index-linked pensions and national agreements that we have?"

The POEU may not be the new miners poised to deliver the knock-out blow to the Government, but over the last few days they have shown again they are a force to be reckoned with.

The legal action with Mercury could, however, still blow up into a TUC cause célèbre. The union is likely to remain firm on refusing to interconnect even if it calls off the blacking action against the Mercury parent companies. BT will not face problems making the necessary interconnects—especially following the recent drive to de-unionise senior management.

But if Mercury is successful in getting an injunction against the union for "interfering with business"—using the 1982 Act

the union is unlikely to accept it. There will be strong pressure on the TUC to support the union even though a few other unions back Mercury.

Like the recent action by BT management, that will further unite the hard Left, soft Left and right-wing factions on the executive and could also provide sufficient support in the country for a wider disruption.

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Like the recent action by BT management, that will further unite the hard Left, soft Left and right-wing factions on the executive and could also provide sufficient support in the country for a wider disruption.

This is very high risk for the union. Mercury, the object of much of its fury, was itself conceived during the 1978 action as a way of circumventing the union's monopoly labour power if it pulled all the stops out in an anti-Government, anti-legalistic struggle. The Government would be bound to respond by attempting further to cut back the union's organising base by more privatisation, or by decentralisation of the network, or by tightening the screws on BT management to shed labour more quickly. As matters stand, the union faces apparently hopeless odds against any strategy it cares to adopt.

Fortunately such financial

Global Debt

A containment strategy that should work

By William R. Cline

FOR THE last year the debt crisis has posed serious risk to the international financial system, as developing countries have been forced to reschedule approximately \$100bn in debt. World economic shocks precipitated the crisis. Oil price explosions, costs of the debt in developing countries \$260bn in 1974-75; real interest rates in excess of historical averages, and export losses from global recession in 1981-82 cost them another \$140bn, accounting for much of the \$500bn increase in debt since 1973.

Western banks are heavily exposed; the nine largest US banks have 280 per cent of their capital out in loans to developing and East European countries. Two of the largest have 75 per cent of their capital loaned to Brazil alone. The write-off of one year's interest and interest for Argentina, Brazil, and Mexico would exhaust profits and one-third of the capital of the nine largest US banks. A more extreme collapse might mean insolvency and the loss of uninsured deposits of \$200bn.

The more sweeping proposals would be counterproductive. Transferring bank claims from debtor countries to an international agency, for example, a 10-cent loss on the dollar, would remove the incentive of "involuntary lending" (there would be no need to safeguard new transferred past loans), choking off the most important source of new capital. In any event, massive public capital required for such schemes is simply not available.

Under this strategy the debt problem should be manageable. But it could easily slip periodically out of control if any of the major actors behave irresponsibly. So far the greatest risk has come, ironically, not from Latin American radicals but from numerous non-cooperative banks (especially, it appears, on the Continent) and from those US Congressmen who are fixated on avoiding a bank bail-out.

With strong leadership at the highest levels, in creditor and debtor countries, it should be possible to overcome the political and economic risks to the management of global debt.

William R. Cline is a senior fellow of the Institute for International Economics, Washington DC.

the capital inflow from new borrowing. None the less, the risk of legal seizure of assets and shipments abroad, and more generally the desire to maintain a long-term credit rating, seem likely to preclude any significant defaults, an assessment borne out by the absence of movement toward a debtor's cartel at the recent Caracas meeting of Latin American Ministers. Perhaps the greatest risk is now from Brazil, where the opposition party has called for a potentially devastating three-year moratorium.

The underlying question more generally is how long domestic tolerance to adjust domestic programmes will last before reaching political breaking point. Encouragingly, the country projections indicate that improvement in external accounts is possible without massive domestic recession.

Appropriate policy for the future includes approval of higher IMF quotas as essential.

However, the prognosis

Letters to the Editor

Insurance trade barriers in the EEC

From the Managing Director, *Guardian Royal Exchange Assurance*

Sir—One implication to be drawn from your editorial of October 7 is that the entire UK insurance market is eagerly awaiting the breaking down of all the EEC's so-called barriers to trade. The position is not, however, as simple as this, since the barriers are only one of several factors that are intervening. Most of these "barriers" are, in any event, no more than reasonable and proper supervisory controls or established market disciplines.

NHS output and employment

From Mr P. Bingham

Sir—Events rarely combine to stimulate my writing a letter to you, but your article on "Public sector jobs" (October 7) coming soon after the announcement of further significant redundancies by my own employer, and amid the debate upon the cuts in National Health Service staff, has forced me to do so.

It was a pity that the private sector employment trends were not included as a basis for comparison, together with the unemployment figures. Even a superficial analysis of these two, however, together with the figures in the article, reveals that the public sector has suffered less than 20 per cent of the loss in jobs since 1977 whereas it accounts for around 30 per cent of those in employment today. Looking at it in people terms, of the 2m additional unemployed today, compared with 1977, around 1.7m have come from the private sector. Of the 300,000 from the public sector, virtually all have come from the nationalised industries, which, like the private sector, are exposed to the cold economic winds of market forces and competition.

In other words, employment levels in the non-industrial elements of the public sector, have been largely unaffected by the post 1977 recession. This stark fact, coming as it does at the same time as the recent announcement of staff cuts in the national health service, raises certain important questions, to which I also offer some answers.

Why has the output of the

private sector not fallen by an amount equivalent to the reduction in levels of employment—approximately 10 per cent since 1977? Because of its

increased productivity levels. Has the output of the national health service advanced in line with the 52 per cent increase in numbers employed since 1977? Although no measure of output is available, I doubt whether many people would argue that it had advanced by any figure even remotely approaching this level.

By using the 52 per cent, I am being conservative in not allowing any margin for productivity improvements. The obvious supplementary question is therefore, should the NHS be expected to improve its productivity? The answer is a clear Yes.

Should the non-industrial elements of the public sector be removed from the harsh realities of economic life in a prolonged recession, and if not, how should they be handled?

The answer is no, they should not be removed from these realities and they should be handled via politics in an economic context. This is what the Thatcher Government apparently fails to do during its first term of office, but which it is now showing some signs of doing.

My worry is how much of the social framework of the country will be left if Mrs Thatcher does the same to the public as she did the private sector?

P. M. Bingham
40 Longdown Lane North,
Ewell, Surrey

Funding the arts

From the Research Officer, *National Association of Theatrical, TV and Radio Employees*

Sir—Goodness knows why it has taken so long for correspondents like Mr J. Sykes (October 7) to state the obvious: that the arts in this

Future public spending

From Mr C. Williams

Sir.—The decision of the Government to open up the debate on the future of public spending is most welcome and it is to be hoped that during the next few weeks the Treasury will publish the full details of how it arrives at figures for the cost of the individual spending programmes.

An important issue that appears to have been neglected by the Government and its advisers is the economic consequences of the decline in capital expenditure as a proportion of the total. Public sector capital investment which was equal to 18 per cent public expenditure six years ago is now less than 14 per cent.

The Treasury's projections appear to imply a further decline save perhaps in one area, housing. Even growth here would be in doubt if a government desperate for economies once again took the easy way out and cut back on capital. I hope that there will be full discussions not only of the consequences of cutting further the renewal of our decaying infrastructure but also of the effects of moulding the economy to shape where transfer payments and current spending figure more and more and capital expenditure less and less.

Particularly worrying is the future of the nationalised industries. Their external finance is shown to fall slightly in real terms and, remarkably, to be practically the same in seven years' time in both high and low-growth scenarios. The internal finance for investment generated in these corporations is essentially the difference between revenue and costs and it is very sensitive to the level of economic activity; this is particularly true of the heavy industries not scheduled for privatisation.

The implication of the Treasury's figures must be that investment by the nationalised industries will be very severely curtailed if the economy fails to achieve a high rate of growth. Of course the less these corporations expect to sell the less they should invest, but the Treasury's proposals seem to go far beyond such commercial logic.

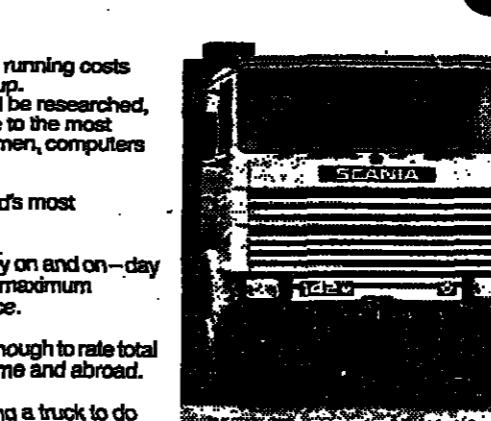
No doubt the national health service could make an equally valid claim: but as Mr Priesley says (quoting the Intendant of the Deutsche Oper), "the arts contribute towards 'social health'" in no less vital a sense.

David Cormack
Keele House,
155, Kennington Park Road,
SE11.

C. A. Williams,
National Council of Building
Material Producers,
33 Alfred Place, WC1

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French industry opens doors to a doubting public

BY PAUL BETTS IN PARIS

FRANCE has launched a nationwide campaign to help the French rediscover – and in many cases discover – French industry.

The Conseil National du Patronat Français, France's employers' confederation, has asked 5,000 of its members to open up their plants and factories to the public for five days to increase the public's awareness of the problems in industry.

Concurrently, the Research and Industry Ministry has organised for the first time an exhibition in the French parliament to show Deputies some of the recent achievements of French technology.

The exhibition housed in a huge baroque room with parquet floors and chandeliers, is called Objectif Industrie, and was officially opened by M Laurent Fabius, the Industry Minister, on Monday night on the eve of yesterday's parliamentary debate on French industry.

This view was confirmed by an opinion poll commissioned by the

Both events reflect the growing concern of the Government and of industry in general over the increasing difficulties French industry is facing and the need for both short and long-term solutions to its problems.

"At a time of deep economic crisis, and at a time when many companies are fighting for survival, the future of French enterprises must become a national priority," said M Yvon Gattaz, head of the Patronat and a harsh critic of the Socialist Administration, launching the employers' so-called "open doors" initiative.

The Patronat campaign is designed to win greater public support for industry at a time when the French in general appear increasingly disillusioned by their country's industrial performance.

The Patronat's "open doors" campaign, however, has already suggested the French are nonetheless interested in their industries. Some

Industry Ministry for the opening of the parliamentary debate on the Government's industrial policy.

The poll shows that 48 per cent of the French think their industry has lost ground to overseas competition during the past 10 years and that only 17 per cent think it has improved its position. Moreover, 63 per cent think French industry is not dynamic, 69 per cent regard it as not internationally competitive, and 70 per cent not sufficiently export oriented.

Another revealing finding was that only 19 per cent wanted their children to work in industry, compared with 52 per cent wanting their children to work in the civil service and 33 per cent in the liberal professions.

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150,000 people have visited the Citroën plant in Rovin, which opened its doors to the public during the last two weekends. Another 20,000 people visited the electrical motors manufacturer Merlin Gerin in Grenoble last weekend.

M Fabius is hoping his exhibition of robots, computer-aided design systems, test-tube biotechnology plant techniques and other French high-technology products in the salons of the parliament will impress deputies from all sides of the chamber to back his industrial policy.

Under M Fabius, industrial policy in socialist France has been shifting dramatically from an initial period of intervention, expansion and protection, to one of rigorous, painful industrial restructuring, lay-offs and rationalisations more in tune with the Government's deflationary economic policies.

But M Fabius has continued to

put the emphasis on developing a strong French electronics sector and encouraging the development of small and medium-sized enterprises. The French economic situation, however, has forced him to concentrate most of his time and efforts on the same old industries.

The big nationalised industrial groups, which the Socialists had hoped would act as a locomotive for French industrial growth and development, are unlikely to act as the stimulus for small and medium-sized businesses.

The Government is to give the nationalised groups FFr 12.45bn (\$1.62bn) in capital grants next year. This is only 3.2 per cent more than in 1982 and far below the FFr 16bn to FFr 17bn the state conglomerates have been asking for. Moreover, the bulk of this money will go to cover the losses of the steel and chemicals sectors.

THE LEX COLUMN

Power failure in electrics

The importance of stock selection even in bull markets is underlined by the dramatic underperformance of the UK electricals sector over the past 12 months. Some adjustment in relative values was always likely as the upturn in the stock market broadened. After all, in a year in which the task of the electrical majors was to top impressive past performance, the profits growth of recovery stocks was bound to look more exciting.

Nevertheless, the pasting of this former glamour sector, in absolute terms – its fall now stretches to 18% per cent compared with a year ago – has run far beyond this argument.

Nor can it be explained by short-term worries about profits, although undoubtedly for both GEC and Racal – at their 1983 lows again yesterday – the disengagement has been compounded by the prospect of first-half profits which will be flat at best before a better second-half performance cheers up the outturn for the full year.

Fresh uncertainty both over defence and telecommunications has heightened the investment mood. On defence, however, the Government's warlike words about expenditure cuts and enforcing a lower return on capital employed are likely to have only a marginal impact on the electrical companies. Contract prices are anyway being increasingly fixed in advance, while the main brunt of cutbacks would hit other sectors.

In telecommunications, the privatisation of British Telecom and the

growing competition in private switching poses greater problems.

While it looks as if Plessey is poised

to emerge as one of the major international players by the end of the

decade, the prospects for both STC

and GEC are less encouraging.

The new alliance has become ap-

parent at the Conservative Party annual conference. The two are

said to be in close agreement on the

need to maintain current expendi-

ture on both defence commitments

and the urban aid programme in

face of the Treasury's desire for cut-

backs.

Their co-operation may mark a new twist in the shifting balance within the Cabinet: now that there is no longer any concerted attempt by the so-called "wets" to challenge Mrs Thatcher's economic strategy. It will be tested when the current expenditure review comes before the Cabinet next week.

M Heseltine is regarded as a rising star and the strongest moderate candidate for the long-term succession to Mrs Thatcher. He has previously been regarded as a political loner, though he is an old friend of Mr Walker.

That Mr Walker's relations with Mr Nigel Lawson, his predecessor as Energy Secretary, have been

strained in their different ap-

proaches was underlined yesterday.

During the conference debate on energy Mr Walker expressed scepticism about the possibility of intro-

ducing competition into many parts of the gas and electricity industries, despite the fact that it had been

specifically encouraged by legisla-

tion brought in by Mr Lawson.

Calls for the restoration of capital

punishment were loudly applauded

but Mr Leon Brittan, the Home Secre-

tary, defused the issue in a skilful

speech. He pledged stiffer and longer

sentences for violent criminals,

but was careful not to make any

commitment to mandatory terms of

imprisonment for any crime as

sought by the same Tory factions.

Conference report, Page 25

should quickly shift to the political arena.

Yesterday, the Diet decks were

partly cleared when the Lower

House easily passed and sent to the

Upper House the Government's

cherished administrative reform

bills, to which the highest legislative priority had been given.

This afternoon, leaders of all the

Japanese opposition parties will

confer, in two separate sessions, on

the presentation of a joint motion

demanding Mr Tanaka's expulsion

from the Diet (assuming he does

not step down voluntarily).

They will threaten to bring par-

liament to a standstill if the Liberal

Democratic Party majority pre-

vents the motion from coming to a

vote by the full house.

Mr Masaharu Gotoda, the influen-

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close associate of Mr Tanaka, has

emerged as a new force within the

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views on various issues to those of

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Thatcher and her close allies like

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The rest of the nation also seems

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are devoting much space and air

time to special Tanaka features: his

highly movements are being mi-

nately followed, even down to yes-

terday morning's breakfast.

Exceptional security precautions

are being taken around the cour-

thouse and Mr Tanaka's home

and office. At least two dozen right-

wing groups – who have never for-

med in the past – are mobilising demon-

strations featuring invariably

megaphone sound trucks. Trade unions and other left-wing organisations also plan

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failure
:trials

Look at Lovell
FOR CONSTRUCTION

SECTION II - INTERNATIONAL COMPANIES FINANCIAL TIMES

Wednesday October 12 1983



ENI in bid to clean up image overseas

By Our Rome Correspondent
ENI, the Italian state energy corporation, is to rationalise its rambling network of overseas financial and operating companies which in the past have put ENI's name into disrepute, particularly in connection with the defunct Banco Ambrosiano.

A new company named ENI International Holdings is to be set up in Luxembourg which will retain the group's interests in companies outside Italy. Under it will come a number of sub-holdings which will all be 51 per cent owned by ENI, with the rest being held by the relevant ENI subsidiary, such as Agip or Snamprogetti.

ENI International Holdings will replace the existing Luxembourg-based Hydrocarbons International Holding, and the Zurich subsidiary of Hydrocarbons International will lose its status as a sub-holding.

Hydrocarbons International in Zurich was head of a chain of foreign subsidiaries that between them lent \$130m to Sig Roberto Calvi's Banco Ambrosiano, which crashed last year.

CSX holds hopes for last quarter

By Our Financial Staff

THE PROCESSING is continuing to depress profits at CSX, which operates a 27,000 mile rail system spanning 22 U.S. states. Third-quarter net earnings fell from \$42.3m or 34 cents a share to \$34.9m or 28 cents.

CSX said improving economic conditions were expected to bring strong gains in revenues and profits in the final quarter, but full-year earnings would be lower than last year's \$338.4m.

The fall in third-quarter profits leaves earnings for the first nine months at \$34.4m or 24 cents a share, against \$160.2m or \$1.28. Revenues rose from \$3.5bn to \$3.9bn, of which \$1.5bn (\$1.2bn) came in the third quarter.

The company blamed the lower third quarter on the recession's effect on coal shipments, notably exported coal, where shipments for the nine months were down 38 per cent. Total coal traffic for the nine months was below the year-ago level, but improved in the third quarter on the strength of domestic tonnages. CSX is the leading U.S. coal carrier.

Revenues for the company's natural resource group rose from \$83m to \$371m in the third quarter, reflecting the acquisition this summer of Texas Gas Resources.

Donaldson, Lufkin gains

By Our Financial Staff

DONALDSON, Lufkin & Jenrette, the New York securities and investment banking company, posted third-quarter net earnings of \$5.4m or 37 cents a share, up from \$4.2m or 33 cents in revenues of \$11.5m (\$1.63m).

For the first nine months earnings were \$16.5m or \$1.11 a share, against \$12.3m or 97 cents, while revenues rose from \$304.9m to \$337.3m.

The latest nine months include a \$2.3m charge in the first quarter related to settlement of litigation between the company and the County of Los Angeles.

Dana surplus sharply ahead

By Our Financial Staff

ANA, the Ohio-based vehicle parts and industrial products company, more than doubled third-quarter net earnings from \$14.5m or 27 cents a share to \$31.8m or 57 cents.

The sharp rise, which included a 3.7m gain from a stock for debt swap in July takes nine-month earnings to \$76.2m or \$1.38 a share, against \$35.8m or \$1.03.

Third-quarter sales jumped from \$55.7m to \$70.9m, lifting the nine-month total to \$2.07bn (\$1.57bn).

Utd Telecom advances

By Our Financial Staff

THIRD-QUARTER earnings at United Telecommunications, the second largest U.S. independent telephone company, rose from \$4.5m to \$5.8m, with sales up on \$611.7m to \$653.7m. This took profits for nine months \$17.2m, against \$15.8m, on sales \$1.93bn (\$1.61bn).

ITALIAN RUBBER GROUP BATTLES THROUGH ANOTHER DIFFICULT YEAR

Bleak year for Pirelli cable unit

BY JAMES BUXTON IN MILAN

PIRELLI, the international cables and tyres group whose Italian parent company recently announced lower profits, yesterday warned that 1983 would be even worse for its cables division than last year.

Tyres, however, are doing better, despite a continuing decline in sales of large tyres for industrial vehicles.

The group's cables division, which accounts for 43 per cent of its 1982 worldwide turnover of \$4.2bn, will just about break even or possibly close in loss this year, the company said. Last year it made a profit.

Pirelli says that although the U.S. is now enjoying a consumer boom, there has yet to be an upturn in heavy investment there. Middle Eastern countries are reducing their spending and prices are very competitive.

Pirelli saw some signs of improvement, however, it is to supply a coaxial cable between Mecca and Taif in Saudi Arabia, and is to carry out the feasibility study for a network of underwater power cables connecting the Hawaiian islands.

Pirelli is now intensively studying the potential market in optoelectronics - the application of optical fibre technology, in which Pirelli has a foothold, to telecommunications, military and aerospace uses. It believes the main market for this is in the U.S.

Pirelli reckons itself the biggest cable company in the world, with substantially bigger sales than the

Talks on Stet link

and Face Standard (an ITT subsidiary with 10 per cent).

PIRELLI SpA yesterday confirmed that it is discussing the possibility of taking a minority stake either in Stet, the Italian state-owned telecommunications holding company, or in Stet's subsidiary SIP, which owns the country's main telephone network.

Pirelli, which claims to be the world's largest cable maker, currently has a 30 per cent stake in Stet, a cable laying company which is a joint venture between Stet (with 50 per cent) Cet (Italy's second cable maker with 10 per cent)

The project has yet to be finalised.

Japan's record rental business feels the long arm of the law

BY YOKO SHIBATA IN TOKYO

JAPAN'S LOWER House yesterday passed a controversial bill to regulate the country's rental record sector - a multi-million yen business that has mushroomed since the first shop was opened in 1980 to over 2,000 outlets with 10m customers.

The bill comes in response to pressure from the music and record sales businesses who say that they are suffering a considerable fall in earnings as a result of the rental shops. Thousands of singers, songwriters, musicians and record shop owners have regularly taken to the streets of Tokyo to push their claim for a tightening up of the country's copyright laws.

The attraction of the rental shops is simple - new long-playing records in Japan sell for between Y2,700 and Y3,000 (\$11.62 and

\$12.91) each. From the rental shops they can be hired (and then not paid) for as little as Y250.

The first rental shop was set up by Mr Seiichi Oura, a university drop-out who started a business that proved to be an overnight success. He now runs Relokdo, the largest chain of record rental shops.

The rental shops have hit the record close to the rental outlets claim a 60 per cent fall in business since this form of competition began. The fall in record sales has also led to a fall in income for all those involved in the music business.

Under existing Japanese law, there is no ban on home recording. The copyright law, last revised in 1971, is unable to cope with the

rapid advance of tape and video recording equipment say the protagonists of a tightening up of the law.

Earlier this year the Cultural Affairs Agency of the Government set up a committee to study changes in the copyright law. A preliminary report in July urged that the law be changed so as to enhance the right of the composers of music and of computer programmes to royalty payments.

The law just passed by the Lower House, which should be on the statute book before the end of this parliamentary session, would give the owners of the copyright the right to decide whether or not they wanted their material to be available for hire through the rental shops and would also give them the right to demand fees from the shops.

New hitch over Kuwaiti cheques

BY KATHLEEN EVANS IN LONDON

THE KUWAITI Government's first effort at arbitrating settlements to resolve the \$34m post-dated cheque crisis that arose following the collapse of the Souk al Manakh official stock exchange in 1982, has run into major difficulties.

Creditors have been waiting for the Government-appointed arbitration panel to determine the individual worth of the top speculators. The 17 largest are responsible for 95 per cent of the total amount outstanding. Until these valuations are known few debts could be settled.

When the valuations became known this week, however, they prompted another noscive in local confidence. For the assets of the top 17 dealers were found to be worth only between 19.8 per cent and 33.8 per cent of their liabilities.

The Government has conceded that these valuations will lead to

large numbers of knock-on bankruptcies.

One of the snags to the settlement process is that a large number of creditors hold documentary proof of debts requiring payment in full.

These documents were originally handed out by the Arbitration Panel a month ago when scores of dealers had their assets seized by the state. Since then, the government has secured approval from parliament for all share dealings to be calculated on a basis of the spot price of the share on the day of the transaction plus a maximum forward premium of 25 per cent. However, Kuwaiti lawyers remain adamant that these legal documents entitle creditors to payment in full.

As a result the top 17 speculators will be required to make payments in full, while what they receive will

be calculated at the reduced amount in accordance with the premium law. Local market analysts believe this is why the valuations have been so low.

The unexpectedly low figures have caused the Souk al Manakh stock exchange to take another tumble, and prices fall from a summer peak of 95 points to 74 on the index week.

Another cause for concern is that the final valuations of the top bankrupts, as small as they are, are unlikely to be paid in cash. The Finance Minister, Sheikh Ali Khalifa al Sabah, said recently that the Government intends to issue promissory notes to creditors.

In principal, the notes will only be redeemable when the Government decides to sell off the assets of the potential bankrupt.

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INTL. COMPANIES & FINANCE

Tom Burns in Madrid looks at a nationalised department store

Galerias Preciados tests state control over Rumasa group

EIGHTEEN MONTHS before the diversified Rumasa concern was nationalised in February, Sr Jose Maria Ruiz-Mateos, the group's chairman, conducted the biggest ever takeover in Spain between private companies, and purchased Galerias Preciados, the department store chain. A year ago, Sr Ruiz-Mateos bought the Spanish subsidiary of Sears Roebuck to add on to the Galerias Preciados chain in what was to be his last major spending before the state expropriation order was issued. Now, the department store empire constitutes perhaps the most daunting challenge to the overall Government pledge to make it viable and to turn it back to the private sector.

Just how difficult a task this could be was highlighted by estimated 1982-83 losses of just Pta 7bn (245m)—Galerias Preciados, like others in the Spanish retail sector, closed its books on August 31, but the returns did not need under Spanish law to be presented to the company's annual meeting for a further six months. Because Galerias Preciados is a high street giant, and a household name in Spain, and because its takeover by Rumasa and the subsequent incorporation of Sears Roebuck's subsidiary were accompanied by extensive publicity, the making or breaking of the company is, at the same time, a test for the Government's public credibility in the expropriation issue.

The Government-appointed new executive team are facing the challenge with outward calm and with a determination to apply straight management skills and to leave political implications to one side. The first priority was to maintain the day-to-day running of the company. Among the post-expropriation wiggles was the claim that under the ownership of the Socialist Government, Galerias Preciados would turn into something of a people's penny-store palace. It was essential to keep up morale among staff and not to damage the Galerias trademark, which vies with its competitor, El Corte Ingles, in the fashion and luxury market, as well as in general goods.

The government appointed Sr Jesus Isla, a U.S. trained

business administrator with multinationals company executive experience and a specialist in the retail and department store sector, to head the team as general manager. One of the first executive decisions he made was to approach McKinsey and Company, the U.S. business consultants, which delivered a confidential proposal letter last July, containing an initial analysis of the company's position in the sector in Spain, and a preliminary identification of potential growth areas. A decision has still to be taken on whether to communicate the international consult

that losses remained in the Pta 7bn to Pta 7m range. McKinsey's proposal letter underlines the difficulties facing the company, and stresses that these have been increasing over the past five years. An added point of concern for the company at present is that the capital increase has apparently been eroded, and that Galerias Preciados remains saddled with heavy financial costs.

Over the next three years, the company's new management hopes to have balanced out costs and sales. Sr Isla and his team firmly believe in the future of department stores in Spain, and see high possibilities for growth. Galerias Preciados, with its 24 department stores, and with a further three which joined the company after the Sears Roebuck purchase, lags well behind its rival, El Corte Ingles, in floor space and in sales per square metre. Yet the two giants and other smaller hypermarket department store concerns have only a 7 per cent share of the retail sector against an average 15 per cent share elsewhere in Western Europe.

A great deal of expectation in the company is placed in a new department store that will open next month in north Madrid, in what is billed as the most modern shopping centre in Europe. The new store is the first major such development by Galerias Preciados since 1975, and the company intends to make it a showcase for the latest in department store techniques.

The future ownership of Galerias Preciados, like that of the rest of the Rumasa group's companies, is presently tied to the constitutional court's ruling on the expropriation decree. The court has been deliberating in secret for several months, and there is no timetable for the ruling. The new executives of Sr Ruiz-Mateos' former empire are naturally acting on the assumption that the constitutional court's ruling will contain no surprises.

On that basis, the Galerias Preciados management's brief is to prepare an attractive package for a future buyer. "This Government does not want to own a department store chain indefinitely," says an administration official.



Downtown Madrid

takeover, which were just over Pta 6bn. The Rumasa group would effectively have claimed to have turned around Galerias Preciados in just one year. The accounting basis of such a claim has, however, been challenged by some.

In common with other Rumasa group companies, Galerias Preciados was not independently audited. Arthur Andersen, the accountants, are finalising an audit covering the period from August 31, 1981—just prior to Rumasa's takeover of Galerias Preciados—to August 31 this year.

The current management of Galerias Preciados believes that despite the Rumasa claims of a turnaround, there were no great changes in the company's financial position last year, and

This Announcement Appears as a Matter of Record Only

CHRYSLER
FINANCIAL CORPORATION

\$4,226,500,000

Private Debt and Purchase Facilities

Extension and Modification

MANUFACTURERS HANOVER TRUST COMPANY

SWISS BANK CORPORATION

THE ROYAL BANK OF CANADA

UNION de BANQUES ARABES et FRANCAISES (U.B.A.F.)

As Agents

for certain private debt and purchase facilities

NEW YORK, N.Y.

OCTOBER, 1983

A Balance Sheet of Initiative.

It is common practice to compare a Company's Balance Sheet with that for the previous year. However, it is even more important to consider over a longer period the results of initiatives taken during earlier years. We do both. That is the only way to present a complete picture.

Corporate Planning for the long term

During the last decade, worldwide production of passenger cars has fallen by 9%, yet over the same period, production and sales of our passenger car has increased by 38%. This is a convincing endorsement of the various initiatives resulting from our corporate strategy.

Not only have we been able to improve our safety and quality standards, but our cars are also more fuel efficient and environmentally acceptable. We have gained new customers by introducing new models. In our factories we have underpinned our high quality and flexibility by installing the most advanced equipment and introducing the most up-to-date production methods. We now have an efficient sales and service network responsive to customer's needs, throughout the world. This represents a good basis for further growth, however strong the competition. These are important factors in our corporate success. Especially when it is remembered that few industries have to plan over such a long time scale. It takes five to seven years to develop a new model which is then produced for a period of eight to ten years. After that the average road life of a Mercedes is thirteen years. So the vehicles we are now developing will still be on the roads in the year 2010.

We have never deviated from our policy of long-term responsibility, care and thoroughness. One result: in 1982 we sold over 100,000 S-class models, an achievement which could not have been believed possible only a few years ago. In particular, the 8-cylinder light alloy engine, with fuel savings of up to 22% has proved itself an outstanding success.

In 1983, we successfully introduced in a number of markets the 190/190E, the first models of a completely new range continuing Mercedes quality within compact dimensions.

DAIMLER-BENZ AKTIENGESELLSCHAFT

Extracts from the Consolidated Balance Sheet

ASSETS	31st December		31st December		
	(DM.m)	(DM.m)	(DM.m)	(DM.m)	
Total fixed assets	6931	5727	Total equity of which share capital	6917	6266
of which property, plant and equipment (net)	6436	5409	1529	1529	
Total current assets	15996	14637	Total liabilities of which provisions	15779	13846
of which cash and short term investments in securities	4619	4143	proposed dividend	8315	7275
Balance Sheet Total	22954	20428	Balance Sheet Total	22954	20428

Extracts from the Consolidated Profit and Loss Account

	for the 12 months ended	
	31st December	1982
	(DM.m)	(DM.m)
Sales	38905	36661
Cost of materials	20047	19497
Personnel costs	10712	9993
Depreciation	2273	1688
Total profit	3310	3091
Net profit	921	826
Appropriated: increase in group reserves	571	522
proposed dividend	350	304

1982—a Year for Exports

Despite the world economic situation, 1982 was a good year for Mercedes-Benz.

This welcome result was due to the strong growth performance of our passenger cars and steady sales of commercial vehicles. Thanks to buoyant exports, Daimler-Benz had a higher turnover than that of any other German vehicle manufacturer and again achieved the best financial results of any European motor manufacturer.

Revenue from passenger car sales rose by 13% from 16600 Million DM to 18700 Million DM. Particularly gratifying was our growth in the US, France, Great Britain and Switzerland, and we also increased our domestic market share slightly, against a background of generally falling sales volume. Our production facilities were fully utilised during 1982, turning out 458,345 passenger cars. This represents an increase of 17,500 over the previous year.

We sold commercial vehicles worth 18900 Million DM, thereby maintaining sales not far from the 1981 total. The large commercial vehicle markets of North and South America continued to suffer from their recession, and this inevitably influenced the results obtained by our commercial vehicle factories located there.

In Germany, we manufactured 187,000 vans, trucks, coaches and Unimogs and MB tractors. We succeeded in countering the falling world market for heavy goods vehicles by producing and selling 63,513 units, yet another increase. Extremely good sales to the Near East contributed significantly to this result and we were also able to increase our sales to EEC countries by 18%.

The other sectors of our commercial vehicle range did not altogether escape the prevailing weakness of the markets, but we managed to smooth out the resultant capacity fluctuations in our German factories, and were able to avoid short-time working.

Investment

Within the framework of our medium term plan, we shall invest in our German factories alone 3000 Million DM in fixed assets during 1983, and the same amount in 1984. This follows an average capital expenditure of about 2500 Million DM in 1981 and 1982.

Our research and development programme, too, is future-oriented. In 1982 it accounted for expenditure of more than 1400 Million DM. Much of that was considered impossible twenty years ago is common practice today, and we must go on laying the foundations for the achievements of the next two decades.

Sustaining Employment

At the end of last year, we employed some 186,000 people worldwide. More than 148,000 of these were employed in Germany, and over the last 10 years we have created more than 22,000 new jobs.

We take seriously our responsibilities towards the younger generation. We have increased the number of trainees and now have a record of 8,500 young people under training.

Fresh Initiatives for the Future

With our strong earnings-base we have laid the foundations for the ongoing success of our Company. Our Research and Development activity is dedicated to the ceaseless improvements of our products.

With the 190/190E range we shall open up further growth prospects for our company. In Germany, we sell 6,000 vehicles every month—as many as our present production facilities permit. The 190/190E models had achieved a breakthrough in the market within a short time of their launch.

Against this background of success we are hard at work, systematically enlarging the new range.

Future success stems from present initiatives. These are the sign of our confidence that our vehicles, like our company, are both set for a continuously successful future.



Daimler-Benz Aktiengesellschaft

UK COMPANY NEWS

Ward White raising £10.7m to reduce debt

Ward White, the fast-expanding footwear retailer and manufacturer, is raising £10.7m from the issue of 13m shares of 25p each.

The entire proceeds will be used to reduce bank borrowings, which now stand at nearly 60 per cent of shareholders' funds or approximately £20.5m. After the issue, the level of gearing will fall to between 28 per cent and 30 per cent.

Debt has increased significantly over the past two years because the group has been hard on the acquisition trail, increasing its shoe shops from negligible levels to more than 370 in the UK and 113 in the U.S.

The group spent £21.5m on acquisitions in its last financial year alone. The board therefore decided to reduce debt and expand the group's equity base. The issue, the first in Ward's recent history, will also put the group in a better position to take advantage of any opportunities

which may arise for further expansion, according to the directors.

It is being underwritten by Morgan Grenfell and brokers to ordinary shareholders was £1.391m, against £856,000.

Stated earnings per ordinary share rose from 3.13p to 3.54p, while the interim dividend improved from 1.4p per share to 1.54p net, amounting to

£973,000 to £1.64m. After tax of £753,000 and preference dividends, the profit attributable to ordinary shareholders was £1.391m, against £856,000.

UK trading profits showed a substantial improvement and the pre-tax out-turn was also well up after absorbing the interest charges arising from borrowings to finance the purchase of the Turner retail chain.

The safety products division has suffered from low demand which has been partially offset by operational economies, and the engineering division has swung into profit despite a continuing low level of activity.

In the current half, Mr Birch says group trading performance continues to improve both in the UK and overseas.

• comment

Profits at Ward White are increasingly seasonal now that 37 per cent of its trading income comes from retailing, against only 7 per cent in the comparable period. If the bulk of earnings are to come in the second half,

the wisdom of pitching a rights issue as heavy as this one at the interim stage does not look obvious. The timing looks a little more fortunate considering that the shares were standing within 10 of their all-time high yesterday morning until the announcement sent them down 11p to 86p. There does not appear to be any overwhelmingly pressing balance-sheet reasons for the issue, even though debt stands at nearly 60 per cent of shareholders' funds. This is no great strain for a group which has lived with gearing of 200 per cent in the past and which expects cash flow from new acquisitions which contributed around £1m to trading profits to make quite a dent in the borrowings, even without a call on shareholders. So Ward White is just staying up the balance sheet to aid its progress on the acquisition trail. Even if it makes no further purchases this year, profits of at least £7m look possible for the year.

Anvil seeks finance to buy interest in Forties

AS AN expansion move and for other advantages, Anvil Petroleum is to tender for a 0.25 per cent interest in the Forties Field to be sold by British Petroleum.

If successful, the tender will be financed by existing cash resources, new borrowings currently being negotiated, and a placing of 2.5m ordinary shares at 50p each on the basis of one-for-three held October 13.

The company raised £1.68m by a rights and share subscription last April to help finance its future exploration activities, and is just staying up the balance sheet to aid its progress on the acquisition trail. Even if it makes no further purchases this year, profits of at least £7m look possible for the year.

Major shareholders of the company, namely Finance and Investment International, three funds managed or advised by M&G Investment Management, Foreign & Colonial Investment Trust, and Investors in Industry, have agreed to support the issue. Between them they hold some 58 per cent of the ordinary capital.

The 0.25 per cent interest in the Forties is represented by one unit and the equivalent number of shares for each unit is 55.25m. For competitive reasons the likely level of Anvil's tender will not be disclosed publicly in advance.

An interest in Forties would provide Anvil with a significant stream of income. This is subject to Advance Production Tax, Net Income Tax and Petroleum Revenue Tax (together PRT), in aggregate an effective 75 per cent tax on net UK oil income.

Companies are able to set allowable costs of UK exploration expenditure, both offshore and onshore, against income from UK oil production for tax purposes. Anvil would, following its acquisition, be able to relieve its future exploration expenditure against PRT, so that £1,000 of new exploration expenditure would result in PRT savings of £750.

Anvil has no income from UK oil production and has no present liability to PRT. Therefore, it is about to enter a phase of its development when it will incur increasing exploration costs in the UK on its onshore licences and on the blocks offshore in the North Sea which it was awarded in the Seventh and Eighth Rounds.

The directors therefore consider this to be an "excellent opportunity to expand the business by acquiring a stream of UK oil income which is subject to PRT" and which, therefore, will be additionally advantageous in connection with Anvil's exploration programme.

The company's plan is revealed with the financial results for the year ended June 30 1983, for which year there is again no dividend. The loss before tax for the year was reduced slightly, from £507,000 to £577,000. The attributable figure was down from £350,000 to £226,000, equal to a reduction from 16.1p to 14.4p.

Short-term rental companies continue with "excellent progress", says Mr Rollason, and net profits have increased by 48 per cent compared with the previous half-year. This level of progress should continue.

Some sales companies increased profits in this case by more than double. This also should continue.

Nevu Audio had a loss of

Senior drops 53% as margins fall

THE FIRST HALF OF 1983 has been disappointing for Senior Whitehead site, trading under the name Senior Green. The Green's Tube company is being amalgamated into Phoenix Steel at West Bromwich.

Turnover in the half year came to £2.74m (£1.36m) and corresponds to the lower levels achieved in the latter months of 1982. In a number of UK companies demand has continued at a low level and margins have been under severe pressure, and Phoenix Steel has not been the process bearing companies suffered significant industrial losses. In addition, the U.S. companies were hit by the lack of demand and reduced profit margins.

Despite the difficult trading conditions the light engineering and air handling divisions achieved good results, which were better than those of the first half of last year.

The profit was struck after interest charges up from £167,000 to £18,000, the increase mainly due to the interest on loans raised to finance the acquisition of Penn Machine Company in the U.S. at the end of January.

An unchanged interim dividend of 8.75p is declared, but payable on the capital increased by the purchase of Green's Economiser Group. Green's results are not included in the interim figures.

The directors state that the signs of recovery in the U.S. are far from clear, but that the outlook is not entirely bleak.

Meanwhile, urgent management attention is being given to improving the performance of the loss making companies.

The heater exchanger companies will shortly be merging with certain of Green's companies and the reconstituted thermal division will be located at West Bromwich.

The dividend could be maintained. Yesterday the shares dropped 3p to 13.1p yielding 12.4 per cent.

Sharp recovery by Energy Services to £812,000

CONFIRMING THE recovery forecast with the 1982 accounts Energy Services Electronics reports a sharp increase in pre-tax profits for the half-year to the end of June 1983. The total surplus amounted to £812,000 against £217,000 last time.

Other group companies made a small loss overall, says Mr Rollason.

In June, the directors pointed out that for the first three months of the current financial year electronic equipment demand had increased throughout Europe and profits of rental companies were ahead by 56 per cent.

Pre-tax profits were struck after interest payable of £361,000 (£380,000) and depreciation of £82,000 (£84,000).

Tax came to £26,000 (£27,000) before minorities of £17,000 (£17,000).

Yearlings unchanged

The interest rate for this week's issue of local authority bonds is 8.1 per cent, unchanged from last week. It is up 1/2 of a percentage point compared with a year ago. The bonds are issued at par and are redeemable on October 17 1984.

A full list of issues will be published in tomorrow's edition.

Waterford shows some recovery to £3.8m

ALTHOUGH SOME recovery was achieved by the Waterford Glass Group during the six months to end-June 1983, the directors say more substantial easing in the general world recession and a consequent improvement in company operating margins are necessary if substantial gains on 1982 are to be made.

Profits for the opening half year to £1.81m, an improvement of 15.1 per cent over the £1.51m returned for the same period last year, although sales were only slightly higher at £93.07m, compared with £81.45m.

The profit was struck after charging an £864,000 drop in interest charges to £2.36m and depreciation little changed at £1.14m (£1.15m).

First-half earnings improved from 1.87p to 1.95p per 5p share.

The net interim dividend is held at 0.9p—a final of 0.911p was paid for 1982, although taxable profits for that year fell by £1.87m to £8.49m.

A strong dollar helped the group's crystal and china trading performances in the U.S., but the difficult economy continued to be difficult, with high operating costs and declining consumer spending.

In the retail division the

Switzer group maintained last year's performance which the directors consider was "satisfactory" in the current recessionary slump.

They warn, however, that the Switzer Group is experiencing the adverse effect of a large drop in the car market overall, although they point out that much effort

has gone into preserving market share, minimising expenses and eliminating additional borrowings.

Tax for the half-year took £338,000 (£365,000) to leave net profits of £41.5m, against £39.97m. Minorities accounted for £2,000 (adjusted £2,000).

• comment

The continuing low level of car sales in Ireland are holding Waterford Glass back from enjoying the full benefit of the strong performance from its traditional crystal and china business. Holding market share at 10 per cent is a commendable achievement but does not mean that a profitable future is guaranteed.

Crucially, the group's

international division is showing a significant loss claim and losses by 15 per cent during the six months.

The overseas group, excluding related companies, boosted taxable profits by 36 per cent and minorities by 27 per cent. The directors point out that a significant factor is the progression, both in profit and sales, of the subsidiaries in West Germany and the U.S. And this trend is continuing, they add.

Group trading profits amounted to £5.6m (£5.45m) and the pre-tax figure included related companies profits, much lower at £33.000 compared with £49.000, and interest and similar income £235,000 (£277,000).

Tax charge was £3.21m (£3.21m) leaving a net surplus of £3.65m (£3.21m) or 7.9p (adjusted 7.5p) per 10p share. Minorities absorbed £162,000 of against £142,000 and the pre-tax

figure was after exchange losses of £96,000 (£85,000).

• comment

Disappointing news from Associate Cie Deutsch, which is dependent on the French defence and aerospace industry, sent Bowthorpe's shares down 3p to 26.2p yesterday—though some of the fall can be attributed to a disenchantment with electrics to a general. Bowthorpe seems to be still recovering, let on course for final profits for the first half with a strong recovery in Germany and the U.S. compensating for the sluggish French performance. Bowthorpe is well pleased with Tempo in the U.S. and further acquisitions are actively planned to enhance its move upmarket to more specialised electronic components. The prospective p/e of 17 is low for the sector.

FOR THE six months ended April 30 1983 the Electronic Machine Company returned profits of £22,700 at the pre-tax level. This compares with £25,000 for the preceding half year and profits of £29,700 for the six months to end-April 1982.

The company has changed its financial year end and the current period will run for the 17 months to September 30 1983.

Turnover for the six months to April 30 last totalled £985,000 (£1.07m to end-April 1982). Tax accounted for £10,000 (£19,400), to leave net profit at £12,700 (£10,300) before extraordinary debits of £172,000 (nil), being a provision for reorganisation and factory closure costs of £190,000 and take-over debenture costs of £22,000.

Earnings emerged at 0.42p (0.42p) per 25p share.

Progress has been maintained at Davin Optical, where the growth potential for optical and opto-electronic systems continues to be evident, and at A.P.J. Radar, which has performed consistently.

In the engineering division, action taken to counter the

severe difficulties of the first six months took until February to show results. Since then there has been a marginal improvement and the group is hopeful that the position will now prove to be stabilised.

Loss-making product lines have been sold or discontinued and the remaining activities transferred to other group premises.

It is anticipated that reorganisation costs of this exercise will, in due course, be offset in part through the disposal of the Davin freehold property to Davin Electronics.

Having completed its basic reshaping, the group will now be able to concentrate its efforts and resources on areas of recognised growth potential of backed by a healthy balance sheet. The directors say the groundwork has been laid, and they are "increasingly encouraged" by medium and longer term prospects.

Although there are no accounts put before shareholders, the group has issued notice of the 1983 AGM for technical reasons.

BOARD MEETINGS

The following companies have set dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering the financial and other business affairs of the company. Information available as to whether the dividends and interim or final and the sub-dividends shown below are based mainly on last year's accounts.

TODAY

Interiors—Ash & Lary, R. Cartwright, Cass, First Castle Electronics, Fogarty, Greenbank Industrial, T. C. Harrison, Helene of London, Honda Motor, London Steel, Planters, Sphinx-Sarco, Engineering, Steel, Steel Brothers, United Parcels, J. D. Walker.

DIVIDENDS ANNOUNCED

Current payment Date of payment Corresponding div. year Total for last year

Altifund** int. 0.13 Nov 30 0.13 — 0.375

Altifund** int. 2.5 Nov 30 2.5 — 7.5

Bowthorpe int. 1.84 Dec 19 1.87 — 4.04

Chesterfield Props. int. 3.75 Dec 29 3.5 — 8.25

Edinburgh Inv. int. 1 Dec 2 0.98* — 2.15*

Energy Services int. 0.45 June 6 0.4 — 1

Guildhall Property int. 5.25 — 4.6 5.55

London & Strathclyde 1.5 Dec 9 1.4 2.35 2.2

Midland Marts int. 1.25 Nov 4 1.25 — 4

Senior Engineering int. 0.757 Nov 30 0.75 — 1.5

William Sindall int. 2 Dec 6 — — 7.5

Ward White int. 1.54 — 1.4 — 4.88

Waterford Glass int. 0.6 Nov 11 0.6 — 1.51

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. ** On capital increased by rights and/or acquisition issues. £ USM stock.

£ for 12 months. £ Irish currency throughout. ** Capital shares.

Anvil seeks finance to buy interest in Forties

AS AN expansion move and for other advantages, Anvil Petroleum is to tender for a 0.25 per cent interest in the Forties Field to be sold by British Petroleum.

If successful, the tender will be financed by existing cash resources, new borrowings currently being negotiated, and a placing of 2.5m ordinary shares at 50p each on the basis of one-for-three held October 13.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

The long haul back to recovery

Nick Garnett on how Coles, Europe's largest crane maker, is coping with recession.

THE "GROWTH" story of Europe's leading crane manufacturer is an impressive 64-page company history highlighting the engineering and commercial prowess of Coles Cranes.

Peppered with photographs of odd-looking vehicles beavering away at gasworks and docks yards in Victorian Britain the last few pages are crammed with the company's more recent models and their distinctive yellow and black livery.

But the story of the "crane maker to the world" only chronicles the history of what was once the world's biggest producer of mobile cranes up to 1979. Four years later Coles is in the midst of one of its grim chapters.

Today the company's managers and workforce are striving under the watchful eye of the company's banks to stop a haemorrhage of the business, to shore up its market share and to lay a stronger foundation from which to grow in the future.

In line with this policy its labour force, now 1,400, has been slashed by more than 800 this year alone.

Coles' problems are most vividly illustrated by the fact that the crane maker contributed the largest slice of the £15m loss recorded last year by the Acrow construction and materials handling group, which bought the company 11 years ago.

Acrow is itself engaged in rationalisation in an attempt to cut losses; this has included the closure of one process plant manufacturing site and with drawal from the making of steel tubes.

With those kinds of figures leaping out of the balance sheet the banks told Coles that its progress would be monitored closely by the institutions which lent it money and that its management needed beefing up.

Consultants Coopers and Lybrand were called in with the result that Duncan Wordsworth, a production-oriented



Ron Stafford, Peter Davidson and Duncan Wordsworth: the shopfloor is proud of what it makes

manager from GKN and Maurice Hetherington on the financial and commercial side from David Brown, both arrived this spring.

Since then the pace of change has increased rapidly. Apart from labour cutbacks, Coles now has its product and marketing strategy under the microscope. It is moving through a radical shift in the utilisation of components and has made some fundamental changes in manufacturing systems and working practices. Over the past few months these have included the introduction of multi-machine manning by operators, a shake-up of inspection methods and the setting up of a more efficient manufacturing system linked to reorganised stores and workshops.

It is a mark of how fast things have been moving that Wordsworth, the new deputy managing director, can say: "I hope all the cutting has been done. What we are talking about now is making it work. I've never seen a business pulling together like this one."

Nor is this feeling confined to management. "We're going to win and we're going to be building a lot of cranes," says Ron Stafford, the Amalgamated Union of Engineering Workers' convenor.

Like most major British companies Coles has increasingly been forced to rethink its approach to the market over the last few years, introducing computer controlled metal cutting machines, for example, during the 1970s. In 1979 the company negotiated a limited flexibility deal with its unions which allowed fitters to be moved from one work area to another depending on work loads, and introduced greater movement between millers, turners and grinding machine operators.

Production processes and design flexibility were coming under close scrutiny at Coles. Husky 880 rough terrain vehicle.

But this was given a big push with the arrival in January 1982 from Otis Elevator of Norman Cunningham as Acrow group managing director and Coles' chairman. Cunningham's hard-headed philosophy of maximising plant utilisation has complemented Coles' entrepreneurial spirit.

From the beginning of last year a programme of component rationalisation has been put in hand under Coles' engineering and marketing director Peter Steel, a member of the family whose company, Steel and Co., purchased Coles 44 years ago.

One result of this is that within the same capacity bands, rough terrain cranes, truck cranes and all-terrain cranes (capable of rough terrain work but with a high speed road capability) now have the same basic superstructure. The five-axle Octag 870 truck crane, for example, now shares the same crane superstructure with the Husky 880 rough terrain vehicle.

it uses.

Wordsworth says he would prefer just one engine option per crane range in a move to single sourcing. (Coles' principal engine suppliers are Deutz and Cummins.) Component quality and pricing is now under much closer scrutiny.

Over the past few months a system of "shortage free build" has been introduced at the Crown works in Sunderland. This means that the material needed to complete a particular job is grouped together in stages before the job is allowed to start. This reduces component shortage-induced work stoppages which Peter Davidson, the electrical union deputy convenor says used to be a common problem.

Though market cover is not being reduced Coles is accelerating its move towards design flexibility in order to reduce the variety of its machines and is seeking to cut by a half the number of different components

Inspectors in the manufacturer areas have been removed as a group and quality and tolerance inspection is now in the hands of the operators. This says Stafford, has cut out time-consuming double-checking and has, in fact, improved quality. Former fitters now lend their skills during the final inspection of vehicles in the open-air test zone.

The sheetmetal workshop and the machineworkshop have been merged and multi-machine manning brought in. This has involved the relocation of some machines but its full benefits will only materialise when order batches are larger.

Flexibility has been further extended by, for example, boilermakers working with sheet metal workers on cab building.

Double shift work on some NC machinery has also been introduced and senior management is insisting that the pressure is on to get vehicles out of the

factory should in no way compromise quality.

Wordsworth says there is still more to do on the shop floor—improving welding efficiency, reducing inventory levels, introducing some new machinery. Coles now has a series of weekly briefings with the workforce. "We are not in the secret service business," says Wordsworth. "I like to think we are in the business of making people know why we are doing things, solving problems rather than stuffing solutions down people's throats."

It's a sign of the atmosphere at Coles that even after a series of sacrifices on the part of the workforce the company prefers shop stewards to conduct a journalist on a tour of Crown works and to take part in interviews on where the company is going next. The shop floor is proud of the cranes it makes and lets you know it.

BUSINESS PROBLEMS

BY DAVE LEGGATE

Liquidation and assets

I wrote two cheques to companies now in liquidation. (a) Can cheques which have been paid into an escrow account be treated by the receiver as assets of a company in receivership? (b) Could one obtain a writ on the bank not to pay the monies out to anyone else?

(a) If the sums were paid into the escrow account they should not have become part of the company's general assets, and should eventually be returned to you. (b) A writ should not be necessary; you can seek a written undertaking.

Distraint and liquidation

We have a warehouse property, the tenancy of which owes us £760 overdue rent; also we have a claim for breach of covenant, the valuation of which is deemed to be "payable as further rent in arrear". These breaches have been valued, and are fact, and not in dispute, to a further value of £1,400.

The range has been partly shaped by the success of Coles in being one of the first companies to move into all-terrain vehicles in the past few years.

We have a letter from the liquidator, "yet to be appointed" as official receiver. We believe that we can distraint for rent, once we obtain a decree of garnishee without forcible entry. If we are unable to get in, can we be forced to an entry and then close up the premises? There are enough goods inside for the distress of the above sums.

You can distraint, but this cannot be done by forcible entry. You should employ a certificated bailiff. This can only be done if the distraint is complete (i.e. sale effected) before the commencement of the company's winding up. Otherwise you can only prove as an ordinary unsecured creditor. You may also wish to consider whether to call on the liquidator to elect whether to distract the lease, and if he does not he will have to pay up arrears of rent.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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NOTICE OF REDEMPTION FIRST PENNSYLVANIA CORPORATION 7-5/8% DEBENTURES DUE 1984

NOTICE IS HEREBY GIVEN, pursuant to the terms outlined on the front of the reverse, that First Pennsylvania Corporation has called for redemption on November 15, 1983 at a redemption rate of 100%, \$75,000 principal amount plus accrued interest to that date of the Series dated November 15, 1972, 7-5/8% due November 15, 1984 numbered as follows:

4 1124 1489 1649
701 1282 1531 1880
909 1406 1554 1936
1000 1463 1581

Payment of said Debentures will be made out of monies available in the Sinking Fund at the office of the Fiscal Agent, Corporate Trust Department, Philadelphia, Pennsylvania; the main office of First Pennsylvania Bank N.A. in London; the main office of Banque Internationale à Luxembourg in Luxembourg.

From and after November 15, 1983, interest will cease to accrue on the above Debentures called for redemption.

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FINANCIAL MARKETING NEWS

Which building society is attacking the Leicester?

How did the Pearl secure exclusive TV slots?

Which bank offers Sunday opening?

Why does Target plan to prune its unit trusts?

Who is Abbey Life's new head of marketing?

The answers to these and many other marketing questions are in this month's issue of FINANCIAL MARKETING NEWS.

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despite Eurobond
price falls, Page 36

SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

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WALL STREET

Fed fears fuel quick reversal

A SHARP downward correction developed on Wall Street yesterday as market traders and banks returned to full-scale operation after the partial Columbus Day break, writes Terry Byland in New York.

The stock market tried to go forward again but was soon set back by weakness in the fixed interest sector. Leading stocks ran into persistent selling pressure which gathered pace significantly in the last hour of trading to leave the Dow Jones Industrial average with a fall of 19.51 at 1,263.14, the biggest one day fall since August 8. Turnover remained below recent levels.

Yields rose sharply in the credit markets, reflecting both a degree of unease over Iran's threat to block oil shipments from the Gulf and, more acutely, renewed doubts over Federal Reserve policies.

The Federal Funds rate remained at 9% per cent and the market noted with some disappointment that the minutes of the August meeting of the Fed's Open Market Committee said nothing about easing credit.

The Columbus Day gains in the stock market were quickly reversed as the

bond market turned down, although leading stocks had attempted to move forward when the market opened. But it was clear that the reduced level of turnover recorded on Monday had left the latest peak in the market unsupported.

A muted response by oil shares to the Iranian threat suggested that the market's principal worry was the rise in interest rates in the credit markets.

More than half a million shares in Exxon were traded but the price shaded down by only 5% to \$38, and there were falls in the other oil majors of similar proportions. A higher dividend payout from Gulf Oil lifted the shares by 5% to \$45%.

Later Gulf announced that it was forming a holding company, a move seen as intended to ward off possible predators after bouts of recent buying of the shares.

The opening shot in the bank reporting season came from Mellon Bank which fell 5% to 45% on its lower profits for the third quarter. Other bank issues looked mixed, with Chase Manhattan and Continental Illinois a shade easier at 49 and 42% respectively, and Manufacturers Hanover and Citicorp firmer at 44% and 43%.

IBM, the market bellwether, fell 1% to \$133 while Honeywell at \$128 gave up 2%.

Following a Supreme Court refusal to hear appeals in MCI Communications' lawsuit against AT&T, shares in AT&T were 5% off at \$64, with MCI trading in the Over-the-Counter markets at 54%, a fall of 5%.

Motor and rail issues, both favourites in the recent market advance, ran into sellers. General Motors eased 1% to

\$78%, while at \$36%, Chrysler were 11% off and Ford at \$66 lost 5%.

Disappointment with quarterly results from CSX, the old Chessie System railway, brought cautious selling of Burlington Northern, 5% off at \$100, and of Union Pacific, 5% off at \$56. CSX at 57% was a further 5% lower.

There was some activity among the heavy metals industry shapes with Kaiser Aluminum 5% off at 24% despite a reduced loss for the last quarter. Shares in U.S. Steel remained unchanged at \$28 but were heavily traded.

Other features included Lifemark, the medical care group, which slipped 5% to \$37, to the fore in the list of active stocks after the disclosure that two of its rivals have made bid approaches.

Corning Glass Works dropped 5% to 57% after several brokerage houses downgraded their estimates for next year's earnings. Mr Edward Schollmeyer of Paine Webber commented: "The shares are vulnerable and will go down further."

In the bond market, investors were disengaged by the renewed doubts over interest rates expressed in some quarters. They also reacted to Friday's disclosure of a jump in M1 money supply and a fall in unemployment, both tending to indicate that the economy may be showing signs of overheating.

Short-term rates were 24 basis points up at first, with the Federal Funds rate remaining at 9% per cent, despite customers' repurchase arrangements by the Federal Reserve. Later, the three month bill steadied at a discount of 8.75 per cent, a rise of 16 basis points, with the six month bill at 8.96 per cent, 17 basis points up.

The long bond opened at 103% before falling to 103%, a net 1 1/4% down on Friday's close - effectively the last quotation in view of the Columbus Day break - yielding 11.50%.

EUROPE

Denmark calls halt to slide

STABILITY returned to the Copenhagen share market yesterday after sharp falls on the preceding three trading days, fuelled by fears of a defeat of Denmark's present non-socialist minority coalition, writes Hilary Barnes in Copenhagen.

The stock exchange all-share index rose 1.44 to 163.03 after a slide which set in last Thursday had eroded values by some 7 per cent. Bond prices also stabilised once more.

Among the increases were East Asian, up DKr 11 to DKr 158; Danske Sukkerfabrikker, DKr 10 better at DKr 715; and Superfors, DKr 8 ahead at DKr 352.

Our Financial Staff adds: A brighter interest rate picture buoyed Swiss and Dutch shares yesterday, but for the rest of the European bourses an emergent period of consolidation left centres bereft of clear direction.

Foreign demand contributed to an Amsterdam advance which put the noon daily calculation of the ANP-CBS general index at a new high of 144.8, up 0.8. But weaker early indications from New York prompted a slight retreat in parallel.

Elsewhere KLM added Fl 3.70 to Fl 158.70. Domestic bonds, despite the rate considerations, were little changed.

Zurich extended to a third day of gains as interest rate reductions at the major banks were awaited. The banks themselves traded unevenly, with UBS SwFr 40 ahead at SwFr 3,180 and Swiss Bank a franc weaker at SwFr 302.

News of a strong output performance by the chemical industry pushed Sandoz SwFr 75 higher at SwFr 5,825. Ciba-Geigy SwFr 35 up at SwFr 2,170 and the officially traded Hoffmann-La Roche SwFr 25 ahead at SwFr 9,100. Domestic bonds gained as much as half a point.

The prospect of new Italian corporate taxes again distressed Milan, halting Monday's rally. Fiat shed L145 to L2,973 and Centrale, responding to a disappointing first half, fell L163 to L1,467.

Follow-through buying failed to develop in sufficient volume to sustain Frankfurt while the Commerzbank index dipped 1.1 to 96.3 its FAZ counterpart firms a bare 0.6 to 327.20 and most quotations recorded modest rises.

A firm bond market allowed the Bundesbank to sell DM 21.5m in paper.

The rejection by Mr Wilfried Martens, the Belgian Prime Minister, of any devaluation of the Belgian franc allowed Brussels to recoup some losses restrained still by a discount rate rise which might ensue instead.

A mixed Paris had Générale des Eaux FF 15 ahead at FF 418 but P'Oréal off FF 20 to FF 20,000, with bonds weak; a dull Stockholm day was featured again by Pharmacia, up SKr 15 at SKr 430; and a Madrid revival helped Petroleos Pta 4.50 upward at Pta 97.50.

CANADA

A MIXED showing emerged in light trading in Toronto, where the gold sector showed the most substantial declines. Oils were slightly ahead, as were pipelines. Montreal was mainly firm led by industrials, utilities and papers while banks dipped slightly.

TOKYO

Court cases upset the climate

AN EARLY Tokyo firmness on the strength of Wall Street's continued rise proved short-lived yesterday as blue chips and other issues turned down under increased small-lot selling. This was prompted by concern over the Nikkei-Dow average's fast climb to a new high by last weekend, writes Shigeo Nishizuka of *Japan Economic Journal*.

A court verdict due today on Mr Kakuei Tanaka, the former Prime Minister, in the Lockheed bribery scandal also affected the market climate.

The Dow average of 225 select issues, which closed above the 9,500 mark for the first time at 9,562.48 last Friday, lost 69.39 to finish at 9,493.09. Volume dwindled to 248,589 shares against Friday's 491,13m. Declines outpaced advances 424 to 231, with 184 issues unchanged.

Many traders at major brokerage houses said the stock market has already discounted a "guilty" verdict on Mr Tanaka, who is still a potent political influence, and is alleged to have received Y500bn in bribes when Prime Minister. But most investors apparently decided to play it safe and wait for today's Tokyo District Court verdict before making up their minds which way to go.

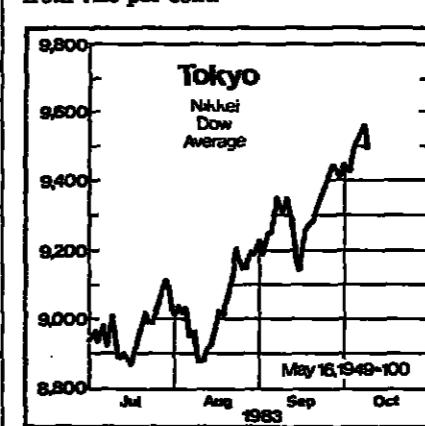
A drop in Hitachi, off Y20 to Y19, pulled down other blue chips and paved a broad decline in an unsettled market. Last week Hitachi settled an IBM-initiated civil case involving computer secrets, but investors are growing concerned that the out-of-court agreement could fester Hitachi's management strategy in the years to come.

Sony lost Y80 to Y3,780, Matsushita Electric Industrial Y10 to Y3,780, Fuji Photo Y130 to Y2,260 and Honda Motor Y3 to Y997. Large-capital issues also lost ground, with Mitsubishi Heavy Industries off Y4 to Y286, Mitsubishi Electric Y1 to Y450 and Toshiba Y4 to Y380.

Among recently sought asset-heavy stocks, Oji Paper shed Y12 to Y403 and Nippon Express Y3 to Y304, while Nippon Oil lost Y10 to Y1,170.

Bond prices also weakened as cautious sentiment grew after a sharp rise late last week on speculation that the Bank of Japan would soon lower the discount rate. Another bearish factor was a Trust Fund Bureau operation to sell Y200bn in 7.7 per cent government bonds due in August 1989.

The yield on the barometer 7.5 per cent government bonds, due in January 1993, rose to 7.63 per cent from last week's 7.61 per cent, while the 7.7 per cent bond yield went up to 7.34 per cent from 7.29 per cent.



HONG KONG

THE TENTATIVE two-day Hong Kong rally caved in as impatience grew over a package of monetary reforms, promised a fortnight ago to support the local dollar but still unannounced. The Hang Seng index shed 18.80 to 735.36.

Hang Seng Bank itself shed HK\$1.25 to HK\$30.50, while Hongkong and Shanghai firms 10 cents to HK\$6.80 ex-dividend; Hongkong Land fell 18 cents to HK\$2.27 and Swire Properties 12% cents to HK\$3.85; Swire Pacific dropped 90 cents to HK\$12.10 and Cheung Kong 45 cents to HK\$5.75.

SINGAPORE

SMALL-SCALE buying support lifted most Singapore sectors as dealings remained thin. The Straits Times industrial index rose 11.86 to 952.82.

Cold Storage regained the S\$5 mark with a 10-cent gain, common to DBS at S\$9.65 and Straits Trading at S\$5.50. Straits Steamship suffered from its deletion from the index on grounds of the company's reduced business standing; it dipped three cents to S\$1.93.

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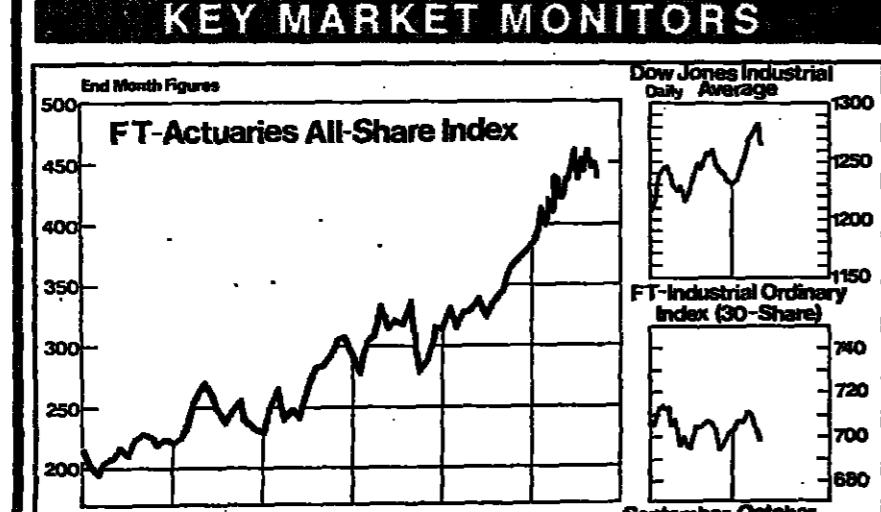
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STOCK MARKET INDICES



STOCK MARKET INDICES

	Oct 11	Previous	Year ago
NEW YORK	1265.14	1264.65	1012.79
DJ Industrials	583.89	583.34	395.51
DJ Transport	137.04	138.39	122.83
DJ Utilities	170.34	172.55	134.47
S&P Composite			
LONDON	686.2	701.1	603.9
FT Ind Ord	438.42	440.95	376.04
FT-A All-share	477.85	479.17	412.22
FT-A 500	430.77	432.37	392.19
FT-A Ind	57.27	57.09	40.83
FT Gold mines	81.66	81.88	83.56
FT Govt sec's			
TOKYO	949.09	952.48	736.15
Nikkei-Dow	898.28	699.6	546.53
Tokyo SE			
AUSTRALIA	704.7	707.6	528.6
All Ord.	533.8	534.5	432.0
METALS & Mins.			
AUSTRIA	54.82	54.83	47.54
Credit Aktien			
BELGIUM	128.71	128.73	101.43
Belgian SE			
CANADA	2605.78	2517.1	1698.00
Toronto Composite			
Montreal Industrials	447.08	449.75	307.97
Combined	425.93	427.51	293.08
DIEMARK	183.03	181.59	90.85
Copenhagen SE			
FRANCE	141.3	140.9	98.8
CAC Gen	150.10	149.7	115.6
Ind. Tendance	150.10	149.7	115.6
WEST GERMANY	327.2	327.17	236.43
FAZ-Aktien	97.63	97.51	71.65
Commerzbank	968.3	970.4	716.6
HONG KONG	73.38	75.98	86.34
Hang Seng			
ITALY	169.15	191.89	159.57
Banca Comm.			
NETHERLANDS	144.8	143.9	91.7
ANP-CBS Gen</			

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Follow the Leader

Do you want to reach the top international financial specialists in European industry?

In mid 1982, the Financial Times, The Economist, and Euromoney commissioned Research Services Ltd. to conduct a study amongst these senior international financial specialists in order to discover what they read.

The published report is now available, and the results show that the publication most widely read by this prime target group was the *Financial Times*. By comparison, the table below shows the readership figures for some of the other 40 publications that were covered by the research.

For more information about this research, or the position of the FT in the European market place, please contact your local Financial Times representative or the Market Research Department of the Financial Times.

	Readership %
FINANCIAL TIMES	42
FAZ	24
HANDELSBLATT	21
LE MONDE	11
LHT	9
NEUE ZURCHER ZEITUNG	8
WALL STREET JOURNAL	6
BUSINESS WEEK	24
ECONOMIST	22
TIME	13
NEWSWEEK	11
INSTITUTIONAL INVESTOR (INT'L)	21
EUROMONEY	17

Continued on Page 27

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Financial Times Wednesday October 12 1983

Lloyd's Life Assurance—cont.		Property Growth Aspr. Co. Ltd.		Standard Life Assurance Company	
Gardiner Funds—Series A		Leas House, Crayton CR9 1LU.	01-680 0066	3 George St., Edinburgh EH2 2RZ.	031-229 2552
American Oct 11	178.5	—	—	Mutual	1997
British Oct 11	190.2	+1.7	—	Property	152.3
Commodity Oct 11	122.5	+1.7	—	Equity	227.0
Extra Inc Oct 11	121.5	+1.7	—	International	213.7
—	—	+0.2	—	Fixed Interest	166.3
High Inc Oct 11	116.4	+0.7	—	Money Limited	175.5
Income Oct 11	142.5	+1.2	—	Cash	138.7
Global Strategy Oct 11	267.9	+1.6	—	Pension Managed	265.8
Special Svc. Oct 11	188.1	+1.0	—	Pension Property	154.7
—	—	+0.8	—	Pension Equity	245.0
Gal Oct 11	178.5	+1.7	—	Pension Inv.	271.6
—	—	+0.8	—	Pension Inv. Ltd.	178.0
UK Small Corp's Oct 11	117.8	+2.3	—	Pension Inv. Ltd. Inv.	194.5
Mass Growth Oct 11	150.7	+0.8	—	Pension Inv. Ltd. Inv. Inv.	194.5
Austria Oct 11	118.7	+1.7	—	Pension Cash	147.1
Oil & Energy Oct 11	119.4	+2.9	—	—	—
Gold Share Oct 11	82.4	+3.0	—	—	—
London A'deon & Ntnl. Inv'l. Assur. Ltd.		Sun Alliance Insurance Group		Barclays Unicorn International	
129 Kingsway, London, WC2B 6AF.	01-404 0393	Sun Alliance House, Horsham.	0403 64141	1, Chancery Cntr., St. Helier, Jersey	
Asset Baldr	85.1	59.0	—	Unifit Trust	165.5
London Indemnity & Gen. Ins. Co. Ltd.		Index-Linked Fund	292.4	Unicel Trust	216.14
18-20, The Forbury, Reading	85.5711	Equity Fund	297.4	Unibond Trust	189.51
Money Mngt Oct 1	161.0	Fixed Interest Fund	197.5	—	—
MMT Flexible Oct 6	52.3	Property Fund	212.9	1. Thomas St., Douglas, Isle of Man	
Fixed Interest Oct 1	54.7	International Fund	186.2	Uni-Austrian Inv.	79.6
London Life Limited Assur. Ltd.		Deposit Fund	143.7	Uni-Aus. Mineral Inv.	71.0
100, Temple St., Bristol, BS1 6EA.	0272-279179	Managed Fund	295.5	Uni-Pacific Trust	167.3
See adjacent Page Sunlife-Prf and Stock Exchange Page 54.	—	Money Fund	116.1	Uni-International Inv.	72.9
London & Manchester Gp.		—	—	—	—
Windles Park, Exeter EX5 1DS.	0392 52155	Series (1) Prices are for policies renewed after 1/1/1988.	—	—	—
Invest. Fst. Fd. Cap.	192.3	Series (1) These are bid prices for earlier policies.	—	—	—
Invest. Fst. Fd. Acc.	192.3	Individual Pension Funds	—	—	—
Property Fund Cap.	117.4	Index-Linked	126.8	—	—
Property Fund Acc.	122.9	Equity	143.3	—	—
Flexible Fund Acc.	119.0	Fixed Int.	161.2	—	—
Fixed Int. Fd. Cap.	140.7	Property	108.6	—	—
Fixed Int. Fd. Acc.	148.6	International	154.7	—	—
Global Deposit Fd. Cap.	198.0	Deposit	146.2	—	—
Global Deposit Fd. Acc.	198.0	Managed	146.2	—	—
Equity Fund Acc.	116.1	—	—	—	—
Equity Fund Acc.	124.8	Group Pension Funds	—	—	—
International Fd. Cap.	163.3	Equity	95.1	—	—
International Fd. Acc.	150.7	Fixed Interest	100.4	—	—
Capital Growth Fd.	161.7	Money	100.4	—	—
Montgomery Fund	168.8	—	—	—	—
Exempt Inv. Inv. Cap.	144.4	Provided Mutual Life Assur. Assn.	—	—	—
Exempt Inv. Inv. Acc.	144.4	Managed Ord.	126.1	Managed Capital	252.0
Exempt Inv. Inv. Cap.	62.1	Managed Inv.	126.9	Managed Capital	252.0
Exempt Pcty Cap.	168.8	Equity Ord.	130.7	Property Acc.	169.7
Exempt Pcty Acc.	194.5	Equity Inv.	126.3	Equity Cap.	169.5
Exempt Pcty NS	195.2	Property Inv.	126.3	Equity Inv.	157.7
Flexi Cap	241.1	Property Inv.	126.3	Fixed Interest Cap.	157.7
Exempt Flex Acc.	250.8	Property Inv.	126.3	Fixed Interest Inv.	178.7
Exempt Gen. Inv.	198.8	Equity Inv.	126.3	Cash Cap.	148.3
Exempt Equity Inv.	183.9	Equity Inv.	126.3	Int'l Acc.	190.5
Exempt Equity Inv.	133.9	Overseas Equity Inv.	155.0	Int'l Acc.	190.5
Exempt Fed Inv Cap	105.7	Property Inv.	101.0	International Acc.	188.2
Exempt Fed Inv Acc	109.8	Fixed Interest Inv.	106.9	International Inv.	212.3
Exempt Gen. Cap	103.9	Fixed Interest Inv.	106.9	American Cap.	154.9
Exempt Gen. Inv.	107.9	Deposit Ord.	100.9	American Acc.	175.4
M & G Group		Deposit Inv.	100.9	Far Eastern Acc.	178.9
Three Quays, Tower Hill, EC3R 6BB.	01-626 4588.	Deposit Inv.	100.9	Far Eastern Inv.	201.7
American Fund Bond	120.7	—	—	—	—
American Acc. Bond	115.0	—	—	—	—
American Svc. Bd.	91.3	—	—	—	—
Australia Bond	114.9	—	—	—	—
Commodity Bond	122.0	—	—	—	—
Convert Deposit Bond	179.1	—	—	—	—
Equity Bond (Acc.)	212.1	—	—	—	—
Exempt Bond	155.3	—	—	—	—
Exempt Eastern Bond	102.3	—	—	—	—
Gilt Bond	181.6	—	—	—	—
Gold Bond	105.2	—	—	—	—
High Yield Bond	118.8	—	—	—	—
Index-Listed Gd. Bd.	100.1	—	—	—	—
International Bond	212.4	—	—	—	—
Japan Fund Bond	96.5	—	—	—	—
Managed Bond	104.4	—	—	—	—
Property Bond	126.9	—	—	—	—
Recover Fund Bond	126.1	—	—	—	—
Family Bond	124.4	—	—	—	—
Exempt Pensions Funds		Penion Funds	—	—	—
—	—	Managed Ord.	132.4	Pen. Managed Inv.	221.9
—	—	Managed Inv.	122.6	Pen. Managed Inv.	221.9
—	—	Equity Inv.	132.4	Pen. Property Cap.	128.1
—	—	Equity Inv.	132.4	Pen. Property Inv.	146.5
—	—	Overseas Equity Inv.	162.0	Pen. Equity Cap.	243.7
—	—	Overseas Equity Inv.	155.7	Pen. Equity Inv.	266.9
—	—	Property Inv.	103.6	Pen. F. Interest Cap.	131.3
—	—	Property Inv.	100.1	Pen. F. Interest Inv.	148.4
—	—	Fixed Interest Ord.	109.3	Pen. Cash Cap.	125.9
—	—	Fixed Interest Inv.	109.3	Pen. Cash Acc.	125.9
—	—	Deposit Ord.	104.2	Pen. Inv. Inv.	127.7
—	—	Deposit Inv.	104.2	Pen. Inv. Acc.	233.4
—	—	—	—	Pen. American Cap.	175.8
—	—	—	—	Pen. American Inv.	146.5

Hambers Fd. Mgrs. (C.L) Ltd.	P.O. Box 82, Guernsey	0481-26521	Richmond Life Ass. Ltd.	4 Hill Street, Douglas, Isle of Man	0624-23014
Capital Reserve Fund	£16.88	16.99 - 0.02	Conn. Trust	127.8	30.0
C/F Fund	£134.6	135.4 - 0.8	Diamond Bond	16.6	1.4
Special Sets Fund	£227.7	124.05 + 1.4	Gold Bond	15.0	1.4
Sterling Income Fund	£10.9	10.95 - 0.05	Government Bd.	170.31	120.0 - 9.07
Intl. Bond Fund	£11.05	11.05 - 0.05	UK Gilt Fund	16.2	17.24 - 1.3
Trans. Nat. Trust	£11.199	11.28	Winton Asset Management (C.I.)		
Intl. Bond	£10.99	11.05 - 0.07	St. John's Cl. St. Peter Pt. Guernsey	0481-26741	
Intl. Equity	£23.05	24.274 + 1.13	OC America Fd	185.7	101.00
Intl. Svc. A/SUS	£11.67	11.76 - 0.01	OC Commodity	185.5	197.34 - 1.37
Intl. Svc. B/SUS	£11.23	11.30 - 0.11	OC Commodity	127.3	115.5 - 2.10
Intl. Acc. Fund	£11.123	11.18 - 0.05	OC Commodity	152.64	189.29 - 2.78
Global Acc. Fund B	£11.365	1.387	OC Hongkong Fd	116.26	28.14
Amer. Spec. Accs	£11.12	11.18 + 0.04	Prices Oct 22, Next dealing Oct 7, 1993, Sept. 30, 1993		
1993-94			Next dealing Oct 24	Prices, Sept. 30, 1993	
1.45			1993-94		
1.40			Dealing every Wednesday		
Ltd.			OC Int'l Reserves Ltd.	0481-26743-26331	
1.36			See adjacent Page Mon-Fri and		
1.30			Stock Exchange Dealings Page Sat.		
1.26			Rothschild Australia Asset Mgt. Ltd.		
1.24			17 Bridge, St. Stephen, 2000, Australia		
1.20			Five Avon Ave, AS33 42	1.47	1.68
1.18			Royal Bank of Canada Funds		
1.17			RBC Investor Managers Ltd.		
1.16			PO Box 246, St. Peter Port, Guernsey 0481-23021		
1.15			Intl. Income Fd	150.0	107.72
1.14			Intl. Bond Fd	150.0	167.00
1.13			North America Fd	16.62	7.44
1.12			Gold and Commodity Fd Ltd		
1.11			U.S.S.		
1.10			Canadian S.	125.71	125.40
1.09			C Sterling	10.79	10.70
1.08			D-Mark	106.51	10.70
1.07			Swiss Francs	57.40	50.90
1.06			Japanese Yen	12.50	12.00
1.05			Managed Fund	1.30	-0.01
1.04			Daily Dealings		
1.03			Royal Trust Instl. Fd. Mgt. Ltd.		
1.02			PO Box 294, St. Helier, Jersey	0534-27451	
1.01			Sterling Fund Fd	150.0	0.877
1.00			International Fund	151.22	1.207
0.99			International Bond	150.65	0.004
0.98			Priors on Oct 5 Next dealing Oct 12		
0.97			SCI/Tech S.A.		
0.96			2 Boulevard Royal, Luxembourg	1510.91	
0.95			SCI/Tech Nav.		
0.94			Sav & Prosper International		
0.93			Orchard Fd		
0.92			PO Box 73, St. Helier, Jersey	0534-73933	
0.91			Direct Interests Fund		
0.90			First Fund	150.0	10.66
0.89			C. Freed	117.3	124.8
0.88			Yen Bond	1.361	1.425
0.87			Entity Funds		
0.86			UK Growth	114.5	156.4
0.85			Internal Gr. F.	152.82	13.52
0.84			Fr. External	152.54	13.52
0.83			North America	159.80	10.60
0.82			Commodity Funds		
0.81			Commodity	101.6	100.2
0.80			Gold	151.03	14.04
0.79			Macroeconomy Reserve Fund		
0.78			U.S.S.	100.0	9.20
0.77			D-Mars	100.0	9.14
0.76			C Sterling	100.0	8.58
0.75			Yen	100.0	5.59
0.74			Dealing		
0.73			Sterling Deposit	1175.3	175.46
0.72			September 26 - October 5 - October 8		0.14
0.71			(Weekly dealing) 200 daily		
0.70			Schrader Mgmt. Services (Jersey) Ltd.		
0.69			P.O. Box 195, St. Helier, Jersey	0534-37561	
0.68			See adjacent Page Mon-Fri and		
0.67			Stock Exchange Dealings Page Sat.		
0.66			J. Henry Schroder Wag. & Co. Ltd.		
0.65			120 Chequers, EC2	01-362-6000	
0.64			Am in Yr Oct 5	225.28	120
0.63			Asian Fd Oct 10	517.63	27.43
0.62			Asian Oct 6	150.0	2.49
0.61			Asian Fund Oct 6	150.0	0.02
0.60			Traillair Fd Sect 30534053		0.24
0.59			Schroder Unit Trust Mgmt. Int. Ltd.		
0.58			Po Box 273 St. Peter Port, Guernsey	0481-28750	
0.57			Major Currncy	540.2	5.3 - 6.80
0.56			C Fixed Interest	150.0	6.75
0.55			Equity	150.0	0.1 - 2.76
0.54			Equity Managed	151.04	0.03 - 8.70
0.53			5 Equity	1.801	2.950 - 0.50
0.52			Hong Kong Fund	150.0	19.93 - 0.51
0.51			Priors on Oct 12 Next dealing Oct 19		1.00 daily
0.50			Sheringham Kemp Gee Mgmt., Jersey	0534-75741	
0.49			1, Charing Cross St, St. Helier, Jersey		
0.48			SKS Capital Fund	156.3	264.1
0.47			SKS Income Fund	62.9	64.9
0.46			Gold Bond	158.8	167.3
0.45			Securities Selection Ltd.		
0.44			Bermuda Hse., St. Peter Port, Guernsey	0481-26268	
0.43			Forexland	150.23	8.65
0.42			Sentry Assurance International Ltd.		
0.41			P.O. Box 1776, Hamilton 5, Bermuda		
0.40			Managed Fund	154.697	7.3531
0.39			Shager & Friedlander Ltd. Agents.		
0.38			21 New St. Bishopton EC2M 4HR	01-623-3000	
0.37			Debtors	150.23	20.43
0.36			Tokyo Tsl. Oct 3 ...	550.00	1.20
0.35			Strategic Metal Trust Mngs. Ltd.		
0.34			3 Hill Street, Douglas, I.M.	0534-23914	
0.33			Strategic Metal Tr. 150.054	0.892	1
0.32			Stronghold Management Limited		
0.31			P.O. Box 315, St. Helier, Jersey	0534-71460	
0.30			Community Trust	150.11	104.33
0.29			Suninvest (Jersey) Ltd.		
0.28			4 Hill St. Douglas, Isle of Man	0534-29441	
0.27			Cooper Trst	150.28	13.70 + 1.01
0.26			TSB Trust Funds (C.I.)		
0.25			10 Wharf St., St. Helier, Jersey (C.I.)	0534-73494	
0.24			TSB Gilt Fund	150.0	104.00
0.23			TSB Gilt Fund (J.S.I.)	150.0	104.00
0.22			TSB Jersey Fund	76.1	25.00 - 0.1
0.21			TSB Guernsey Fund	76.0	25.00 - 0.1
0.20			TSB Capital Fund	150.0	101.00 + 0.1
0.19			Priors on Oct 12 Next deal Oct 19		
0.18			Tokyo Pacific Holdings N.V.		
0.17			Times Management Co. N.V., Curacao		
0.16			NAV per share US\$14.56		
0.15			Tokyo Pacific Holdings (Seaboard) N.V.		
0.14			Times Management Co. N.V., Curacao		
0.13			NAV per share US\$13.59		
0.12			Tyndall Bank (Isle of Man) Ltd.		
0.11			30 Athol St., St. Douglas, Isle of Man	0624-29201	
0.10			Star Money Fund	1	1.00
0.09			Tynall Group		
0.08			2 New St., St. Helier, Jersey	0534-37331/3	
0.07			TSF S.L.		
0.06			Asian Shares	151.90	24.15
0.05			American	121.2	227.6
0.04			Accum. Shares	245.2	26.4
0.03			European	92.0	9.6
0.02			Accum. shares	106.2	11.18
0.01			Far Eastern	225.2	241.0
0.00			Accum. shares	243.6	256.0
0.00			Jersey Fd	150.4	153.8
0.00			(Non-J. Acc. Ult.)	153.4	153.8
0.00			Non-J. Acc. Ult.	153.4	153.8
0.00			Accum. Ult.	282.2	282.2
0.00			Victory Shares, Bembridge Isle of Man	0420-24111	
0.00			Asian Commodity Equity	150.28	5.19 -
0.00			C Fixed Int Life Fd	732.2	76.4 - 1.45
0.00			C Equity Life Fd	141.4	150.5 - 0.1
0.00			S Fixed Int Life Fd	157.73	135.5 - 0.07
0.00			S Equity Life Fd	51.94	2.037 - 0.09
0.00			EM Managed Fund	150.8	150.8 - 0.01
0.00			Hong Kong Life Fund	150.0	119.8 - 0.21
0.00			Priors on Oct 12 Next deal Oct 19		1.00 daily
0.00			Sheringham Kemp Gee Mgmt., Jersey	0534-75741	
0.00			1, Charing Cross St, St. Helier, Jersey		
0.00			SKS Capital Fund	156.3	264.1
0.00			SKS Income Fund	62.9	64.9
0.00			Gold Bond	157.8	167.3
0.00			Securities Selection Ltd.		
0.00			Bermuda Hse., St. Peter Port, Guernsey	0481-26268	
0.00			Forexland	150.23	8.65
0.00			Sentry Assurance International Ltd.		
0.00			P.O. Box 1776, Hamilton 5, Bermuda		
0.00			Managed Fund	154.697	7.3531
0.00			Shager & Friedlander Ltd. Agents.		
0.00			21 New St. Bishopton EC2M 4HR	01-623-3000	
0.00			Debtors	150.23	20.43
0.00			Tokyo Tsl. Oct 3 ...	550.00	1.20
0.00			Strategic Metal Trust Mngs. Ltd.		
0.00			3 Hill Street, Douglas, I.M.	0534-23914	
0.00			Strategic Metal Tr. 150.054	0.892	1
0.00			Stronghold Management Limited		
0.00			P.O. Box 315, St. Helier, Jersey	0534-71460	
0.00			Community Trust	150.11	104.33
0.00			Suninvest (Jersey) Ltd.		
0.00			4 Hill St. Douglas, Isle of Man	0534-29441	
0.00			Cooper Trst	150.28	13.70 + 1.01
0.00			TSB Trust Funds (C.I.)		
0.00			10 Wharf St., St. Helier, Jersey (C.I.)	0534-73475	
0.00			TSF S.L.		
0.00			Asian Shares	151.90	24.15
0.00			American	121.2	227.6
0.00			Accum. Shares	245.2	26.4
0.00			European	92.0	9.6
0.00			Accum. shares	106.2	11.18
0.00			Far Eastern	225.2	241.0
0.00			Accum. shares	243.6	256.0
0.00			Jersey Fd	150.4	153.8
0.00			(Non-J. Acc. Ult.)	153.4	153.8
0.00			Non-J. Acc. Ult.	282.2	282.2
0.00			Victory Shares, Bembridge Isle of Man	0420-24111	
0.00			Asian Commodity Equity	150.28	5.19 -
0.00			C Fixed Int Life Fd	732.2	76.4 - 1.45
0.00			C Equity Life Fd	141.4	150.5 - 0.1
0.00			S Fixed Int Life Fd	157.73	135.5 - 0.07
0.00			S Equity Life Fd	51.94	2.037 - 0.09
0.00			EM Managed Fund	150.8	150.8 - 0.01
0.00			Hong Kong Life Fund	150.0	119.8 - 0.21
0.00			Priors on Oct 12 Next deal Oct 19		1.00 daily
0.00			Sheringham Kemp Gee Mgmt., Jersey	0534-75741	
0.00			1, Charing Cross St, St. Helier, Jersey		
0.00			SKS Capital Fund	156.3	264.1
0.00			SKS Income Fund	62.9	64.9
0.00			Gold Bond	157.8	167.3
0.00			Securities Selection Ltd.		
0.00			Bermuda Hse., St. Peter Port, Guernsey	0481-26268	
0.00			Forexland	150.23	8.65
0.00			Sentry Assurance International Ltd.		
0.00			P.O. Box 1776, Hamilton 5, Bermuda		
0.00			Managed Fund	154.697	7.3531
0.00			Shager & Friedlander Ltd. Agents.		
0.00			21 New St. Bishopton EC2M 4HR	01-623-3000	
0.00			Debtors	150.23	20.43
0.00			Tokyo Tsl. Oct 3 ...	550.00	1.20
0.00			Strategic Metal Trust Mngs. Ltd.		
0.00			3 Hill Street, Douglas, I.M.	0534-23914	
0.00			Strategic Metal Tr. 150.054	0.892	1
0.00			Stronghold Management Limited		
0.00			P.O. Box 315, St. Helier, Jersey	0534-71460	
0.00			Community Trust	150.11	104.33
0.00			Suninvest (Jersey) Ltd.		
0.00			4 Hill St. Douglas, Isle of Man	0534-29441	
0.00			Cooper Trst	150.28	13.70 + 1.01
0.00			TSB Trust Funds (C.I.)		
0.00			10 Wharf St., St. Helier, Jersey (C.I.)	0534-73475	
0.00			TSF S.L.		
0.00			Asian Shares	151.90	24.15
0.00			American	121.2	227.6
0.00			Accum. Shares	245.2	26.4
0.00			European	92.0	9.6
0.00			Accum. shares	106.2	11.18
0.00			Far Eastern	225.2	241.0
0.00			Accum. shares	243.6	256.0

OFFSHORE AN

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases in quiet trading

The dollar was slightly weaker in currency markets yesterday. Trading was rather featureless with little clear trend developing. Behind the East tension appeared to deter most people from running too hot on selling, although hopes of lower interest rates coupled with comments by Treasury Secretary Donald Regan that the U.S. trade deficit would lead to a weaker dollar, tended to undermine any thoughts of a sharp rally.

Sterling was weaker overall, after a firm start, underpinned by the attraction of North Sea oil in the event of any disruption to Middle East oil supplies.

DOLLAR — Trade weighted index (Bank of England) 125.7 against 122.2 six months ago. The dollar has retreated from the levels touched in August and growing hopes of a sustained fall. This follows after money supply figures and a slight easing of interest rates. The large U.S. budget deficit is likely to restrain any fall in interest rates and the dollar, but downward pressure on the currency will continue from the substantial trade deficit.

The dollar closed at DM 2.5880 from DM 2.5885 against the D-mark and was also little changed against the Swiss franc at SwFr 2.1045 from SwFr 2.1030. Against the yen it eased to Y222.25 from Y223.55 and

FFr 7.91 compared with FFr 7.860.

STERLING — Trading range against the dollar in 1983 is 1.0245 to 1.0450. September average 1.0491. Trade weighted index 83.7 against 83.8 at noon and 84.1 at the opening and compared with 83.9 on Monday night after six months ago. The pound has moved in recent weeks recently with a decline against Continental currencies probably welcomed and not preventing a long-expected half point cut in London clearing bank base rates.

Sterling opened at \$1.5125-1.5135 against the dollar and touched a low of \$1.5085 before closing at \$1.5060-\$1.5070, a fall of 1.25 per cent. Against the D-mark it started to DM 2.9 from DM 3.0125 and SwFr 3.1725 from SwFr 3.18. It was also weaker against the French franc.

The Bundes-

bank did not intervene when the dollar fell to DM 2.5768 from DM 2.5820, while the pound declined to DM 2.5850 from DM 2.5810. The guilder rose to 83.15 per 100 guilders from 82.15, and the French franc from DM 32.600 to 32.600.

FRENCH FRANC — Trading range against the dollar in 1983 is 8.22 to 8.6880. September average 8.5725. Trade weighted index 67.5 against 71.0 six months ago. Until the recent easing of U.S. M1 money supply the Deutsche mark had been at its lowest level for nearly 10 years against the dollar, reflecting the large difference in interest rates. However there now appears to be a gradual shift in emphasis towards economic fundamentals, with the German currency looking increasingly attractive on this basis.

The Deutsche mark showed minor changes at the Frankfurt fixing. It moved against the dollar and sterling, but weakening in terms of the Dutch guilder and French franc. The Bundes-

bank did not intervene when the dollar fell to DM 2.5768 from DM 2.5820, while the pound declined to DM 2.5850 from DM 2.5810. The guilder rose to 83.15 per 100 guilders from 82.15, and the French franc from DM 32.600 to 32.600.

FRENCH FRANC — Trading range against the dollar in 1983 is 8.22 to 8.6880. September average 8.5725. Trade weighted index 67.5 against 71.0 six months ago. The French franc is comfortably placed within the EMS, but may be vulnerable to any heavy demand for the Deutsche mark. The decline of the franc in recent weeks has reflected the increased attraction currencies back to the strong economies within the Deutsche mark, while in previous months high U.S. interest rates and a strong dollar had diverted attention away from the system.

The French franc was firmer against most currencies at the Paris fixing, but weaker against the British pound and the Danish krone. The dollar fell to FFr 7.9055 from FFr 7.9200, and sterling to FFr 11.9540 from FFr 12.02. The Deutsche mark weakened to FFr 3.0683 from FFr 3.0688, but the guilder rose to FFr 2.7332 from FFr 2.7324, and the Danish krone to FFr 84.76 per 100 krone from FFr 84.69.

PRICES RETREAT — Interest rate contracts retreated on the London International Financial Futures Exchange yesterday, as cash prices fell in the gilt market, and U.S. Treasury bond prices declined. U.S. funding dominated sentiment with Chicago Board of Trade bond futures losing ground on disappointment at the lack of change in monetary policy at the August Federal Open Market Committee meeting.

Long term gilts opened at 90.28, and fell to a low of 90.18 before closing at 90.21, compared with 90.27 on Monday.

Gilt futures opened on a firm note, ahead of yesterday's announcement about U.K. mid-September money supply figures. The fall of 0.18 per cent in sterling M3 was largely discounted, having little influence on the market.

Long term gilt futures for December delivery began at 106.27, and rose to a best level of 107.02, but fell to 105.30, and closed at 106.00, compared with 106.28.

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CONTRACTS AND TENDERS

REPUBLIQUE POPULAIRE DU BENIN

Societe Nationale pour la Promotion Agricole (SONAPRA) (National Company for the Promotion of Agriculture) is launching a call for tenders for the purchase of fertilizers and insecticides, financed jointly by:

- Gouvernement Republique Populaire du Benin (The Government of the Popular Republic of Benin)
- Association Internationale pour le Developpement (IDA) (International Development Association)
- Caisse Centrale de Cooperation Economique (CCCE) (Central Economic Cooperation Fund)
- Fonds International pour le Developpement Agricole (FIDA) (International Fund for Agricultural Development)
- Fonds pour le Developpement (OPED Development Fund)

The offers are for:

- (A) Fertilizers
 - Lot No. 1: 9,500 tonnes of NPKSB compound fertiliser, formula 15-15-15 or 14-23-14-5-1
 - Lot No. 2: 4,000 tonnes of "long-life" dosing 46 @ D Nitrogen" minimum
 - Lot No. 3: 1,409 tonnes of miscellaneous fertilizers, insecticides and treatment equipment.
- (B) Insecticides and Treatment Equipment
 - Lot No. 1: 410,000 litres of binary products, formula ULV (Ultra Low Volume)
 - Lot No. 2: 410,000 litres of simple pyrethroidic products, formula ULV

Lot No. 3: 1,409 ULV spraying equipment.

The closing date for offers is 17 October 1983

FINANCIAL TIMES

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36	£3.57

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INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for October 11.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day/week	Yield	World Bank 11 1/2% '88	100	98 1/2	98 1/2	-1/2	-1/2	Credit Agricole 5 1/2% '87	97 1/2	97 1/2	97 1/2	24/2 16.21	11.25
Ameri. Fin 10 1/2% '80	100	94 1/2	95 1/2	-1/2	-1/2	World Bank 12 1/2% '83	100	101	101	-1/2	-1/2	Credit Lyonnaise 5 1/2% '84	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Bank of America 8 3/4% '88 XW	150	85 1/2	87 1/2	0	-1/2	11.87	100	100	100	-1/2	-1/2	Credit Lyonnaise 5 1/2% '87	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Bank Tokyo 10 1/2% '80	100	94 1/2	95 1/2	-1/2	-1/2	11.83	100	101	101	-1/2	-1/2	Credit Lyonnaise 5 1/2% '84	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
British Citi Fin 10 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.83	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '87	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
C.C.C.E. 11 1/2% '87	100	94 1/2	95 1/2	-1/2	-1/2	11.83	100	101	101	-1/2	-1/2	Credit Lyonnaise 5 1/2% '88	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
C.C.C.E. 12 1/2% '85	75	89 1/2	100	-1/2	-1/2	12.05	100	101	101	-1/2	-1/2	Credit Lyonnaise 5 1/2% '89	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Can Imp Bnd Cos 11 1/2% '80	75	92 1/2	93 1/2	-1/2	-1/2	12.05	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '90	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 10 1/2% '80	100	92 1/2	93 1/2	0	-1/2	11.91	100	97	97	0	-1/2	Credit Lyonnaise 5 1/2% '91	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 11 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '92	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 12 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '93	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 13 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '94	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 14 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '95	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 15 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '96	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 16 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '97	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 17 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '98	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 18 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '99	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 19 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '00	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 20 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '01	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 21 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '02	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 22 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '03	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 23 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '04	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 24 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '05	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 25 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '06	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 26 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '07	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 27 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '08	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 28 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '09	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 29 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '10	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 30 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '11	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 31 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '12	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 32 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '13	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 33 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '14	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 34 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '15	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 35 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '16	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 36 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '17	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 37 1/2% '80	100	97 1/2	98 1/2	-1/2	-1/2	11.87	100	99	99	-1/2	-1/2	Credit Lyonnaise 5 1/2% '18	97 1/2	97 1/2	97 1/2	25/2 16.21	11.25
Chirurg. D/S 38 1/2% '80	100	97 1/2	98 1/2	-1/2	-												

SECTION IV

FINANCIAL TIMES SURVEY

Airports

PLANNING AND CONSTRUCTION

Many new airports are likely to be built worldwide, and many existing ones expanded, to meet the anticipated growth of air travel by the end of this century. Competition for this \$80bn-worth of international business is intensifying, with \$24bn of work under way or planned.

MOST REGULAR air travellers will know only too well that at almost every major airport in the world there is some building work going on, either to expand, or to modernise, existing facilities, or to introduce new ones. This is to cater not only for current needs but also for the travel expansion anticipated throughout the rest of this century.

For although the recession undeniably has hit the world air transport industry, cutting the annual rate of growth of scheduled passenger traffic from the average of about 10 per cent a year in the mid-to-late 1970s, to only 3 per cent over the past three years, there is now looming a period of recovery and further expansion.

The slackening of growth has been most pronounced in the industrially-developed countries of the Northern Hemisphere, but in many other parts of the world, and especially in South-East Asia and the Far East, the general expansion has continued at a comparatively high level.

It is now estimated that

during the rest of this decade, the average worldwide growth in passenger traffic will amount to between 3 and 6 per cent, with substantially higher rates predicted in the Third World, where in many countries air transport has only comparatively recently been accepted as a key to not only economic but also sociological, and even political, growth, and in consequence has been allocated a high development priority.

As a result, by the early 1990s, it is expected that the current annual total of 765m scheduled service passengers carried worldwide by the air lines of the member nations of the International Civil Aviation Organisation will have doubled.

Over that through the last few years of this century, it will even £150m or more for a single new terminal building alone (as

This means that by the year for Terminal Two at Gatwick —

\$80bn (over 250bn). And there are some who believe even this figure to be conservative.

This sum is not so fanciful as it might seem. When it can cost up to as much as \$500m for

a major new international airport (such as the new Changi International at Singapore), or



The new circular "satellite" terminal at Gatwick, which is linked to the airport's main terminal building by an automatic "people mover" rail system, the first of its kind at any airport in Britain. The satellite replaces the former North Pier, now demolished.

Another major new terminal is being built.

Period of growth on the way

BY MICHAEL DONNE, Aerospace Correspondent

2000, well over 20m scheduled service passengers will be carried by air, and that, if the unmeasured numbers of non-scheduled passengers is also included, the figure could be very much higher.

These figures do much to explain the current emphasis on airport planning and construction throughout the world. All

these millions of passengers will need airport facilities through which to pass, and it has been

estimated by the International

Air Transport Association that

total spending worldwide on new

airport developments between

now and the end of the century

could amount to as much as

£150m — and Terminal Four at Heathrow — £136m — both now under development), even £50bn is not likely to go very far when one considers all the major developments now either under way or in mind.

A list of the world's actual or planned airport development programmes is given elsewhere in this survey, covering individual ventures involving outlays, where known, of over \$3bn. But it is probable that

there are many more pro-

grammes under consideration.

The list could include, for example, many of the schemes now contemplated for the 23 municipally-owned provincial

governments in the UK.

Within the air transport

industry itself some bitterly divided options already prevail, as in the case of the fifth Heathrow terminal versus

Europe. In those countries including the UK, the strong environmental lobbies seem likely to prevent the provision of any new "green field" sites for airports — where none existed before. With the possible exception of a London dockland "Staport," all future airport developments in the UK are likely to be extensions to, or adaptations of, existing airports, and even those plans seem likely to be bitterly contested between the environmentalist and air transport lobbies.

It seems likely that most new airports will lie outside the highly-industrialised countries of the US and Western Europe. In those countries (such as the Maplin plan of the late 1960s and early 1970s for a new airport on reclaimed land off the Essex coast), can founder for a variety of political and economic reasons.

It is now almost a certainty that

in the industrial countries with

dense populations, no airport

decision will ever satisfy every-

one, and many compromises

will be necessary.

On the other hand, there are

some parts of the world where

space is limited — Singapore and

Hong Kong, for example, or

on some Mediterranean or

new airports does and will continue to exist, since in those places either an environmental lobby has not yet emerged or the economic need for civil aviation is such that its development takes a higher priority than any immediate ambition to protect the environment.

Moreover, in many of these countries, more space is available for siting airports away from densely-populated communities, so that the environmental problem can be avoided from the outset.

It is in the emerging developing countries of the Third World that most of the scope

for new airports does and will

continue to exist, since in those

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ment takes a higher priority than

AIRPORT PLANNING II

Consultants' role as project leaders

CONSULTANTS IN airport planning, design and construction provide the vital link between an airport authority or government department which perceives a need for an airport, and the companies that supply the operational equipment, build the terminal buildings and carry out civil engineering work.

Consultants have a range of roles. They act as project leaders overseeing entire airport projects, or act in more specialised capacities, advising and providing expertise on particular aspects of design, planning, environmental considerations and the selection of equipment.

Consultants are often involved throughout the planning and construction process from the initial idea for an airport, or more airport capacity, through the project definition stage, to the award of contracts to design and building contractors and the equipment suppliers.

The potential rewards for airport consultants over the past 20 years are immense. They stand to gain a substantial proportion of the estimated \$25bn that is already earmarked for projects under way or planned throughout the world on new airport sites and on the expansion of existing airports to meet the forecast rises in traffic demand.

Studies

Estimates from the International Air Transport Association show that an estimated \$80bn is expected to be spent on the building of new airports or the expansion of existing ones from this year to the end of the century.

To find the likely scale of the world market for airport equipment and services, Alan Stratford and Associates, an independent consultancy specialising in airport and airline planning studies, has been

awarded a six-month study contract by Britain's National Economic Development Office, through the Airports Export Group of the Civil Engineering Economic Development Committee.

Total market values, penetration factors covering the success of companies and countries in markets, and sources of information are all to be investigated. The consultants have also been asked by NEDO to study finance availability and methods, marketing practices and future developments.

The study will include a product-by-product evaluation of UK exports of specialist aviation ground support equipment and services, and will attempt to identify the opportunities likely to be available for manufacturers in world markets over the next five years.

Britain has some of the greatest variety of consultancy organisations. Some of them are private companies, with little or no State involvement.

For example, Plessey Airports is part of the Plessey Electrical Systems, and bids as prime contractor and procurement agency for complete airport projects around the world, but especially in Third World countries. Clients of Plessey Airports are not obliged to use Plessey electronic equipment such as radar, which could come from a competitor.

Studies

The company has been awarded an initial contract for Abidjan, on the Ivory Coast, for a new international airport. This is expected to be worth \$80m, but so far Plessey Airports has had only \$8.5m worth of work, for studies, and the complete project is delayed by financial problems in the country.

Other airport projects underway by Plessey Airports include

a plan for a development at Garoua in the Cameroons. This is worth \$48m of which an estimated \$25m could go to the company. Gabon has awarded a \$21.5m contract to the company for the supply and installation of equipment for a new airport, and \$10.4m contract has been awarded for an airport on a virgin site in the South African Homeland of Bophuthatswana.

Civil engineering skills for airport design and construction are brought in by the group on an ad hoc basis.

At the same time, GEC Electrical Projects, through its own Airport Division, has a lead role in GEC in the management and implementation of complete airport projects.

It was the UK Airports Group, however, which was successful in winning a \$24m contract, the group's first, to supply equipment to new Brazilian airports at São Paulo and Belo Horizonte last September.

Export credits

The major part of the financing of the project was from export credits, covered by the Export Credits Guaranteed Department. The UK Airports Group is free to choose the bank to raise the finance, and in the Brazil contract, Lazard Brothers negotiated the financial loan. The equipment is to be supplied and installed in 1983-84.

Also in Britain, the Civil Aviation Authority provides a consultancy service for the operational aspects of airport design, as distinct from the commercial aspects. Operational design involves taxiway and runway design and layout, lighting for runways, air traffic control, the design and use of air space, telecommunications, meteorological and fire and rescue services.

The authority is also involved in a further loose collaborative arrangement, the Airport Consultancy Services group. This embraces the civil engineers Sir Alan Kirk and Partners, Sir William Halcrow, Sir Frederick Snow, Scott Wilson Kirkpatrick, Maunsell, Brin Colquhoun and BAI. The essential difference be-

tween the Airport Consultancy Service and the UK Airports Group is that the former is not directly involved in the supply of equipment, while that is the main job of the latter group.

In airport design, Britain's Fitch and Company with its Airport terminal design division, has had a number of successes and is currently designing the interior of the new Terminal Four at Heathrow Airport, as consultants to the British Airports Authority. Fitch and Company also designed the interior of Terminal One and part of Terminal Three.

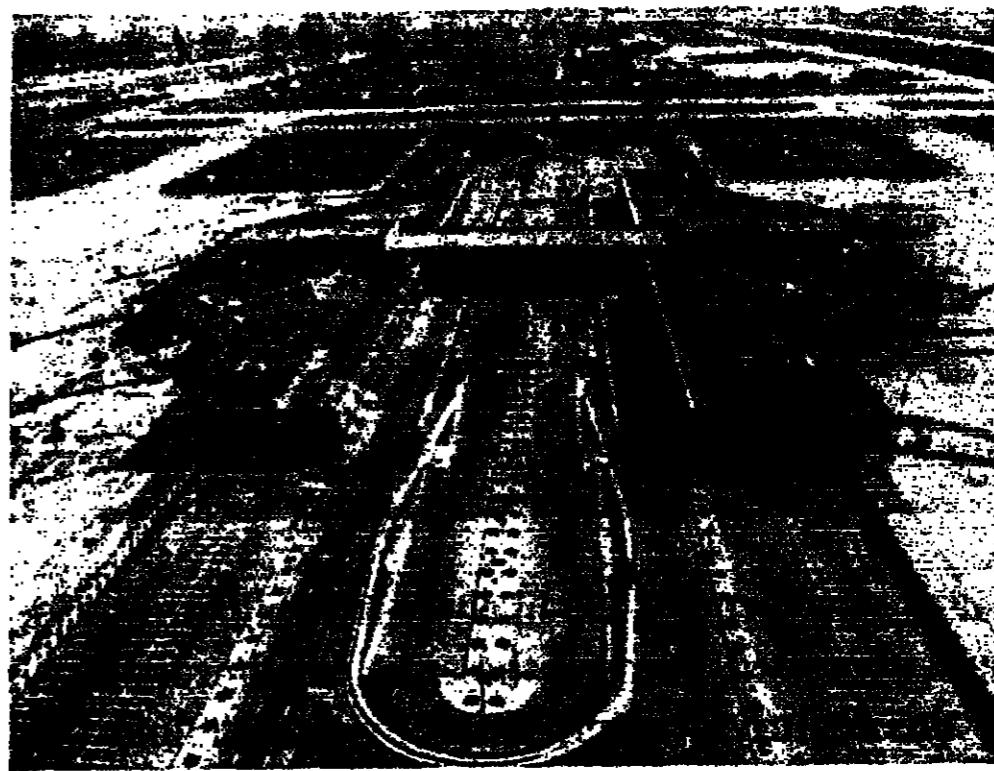
Mr Allan MacKinnon, director of the division, estimates that interior design and fitting out accounts for 10 to 15 per cent of the total costs of airport projects.

Airport design generally have been dictated by the need to meet operational requirements primarily, with commercial considerations of design secondary. Mr MacKinnon believes.

He says that the recession and its impact on airlines and airports has changed the emphasis, with up to half the revenue from large international airports coming from duty-free shops and other outlets with retail concessions. "These commercial features of airports must be designed into the airport terminal from the start."

In the company's interior design studies for Heathrow's Terminal Four the need for commercial involvement was taken into account from the beginning. "At the basic planning stage of a new airport terminal, the commercial aspects of the design should be given equal weight to the operational factors," Mr MacKinnon says.

Lynton McLain



The new gateway to Jordan and the Middle East is the Queen Alia International Airport at Amman, which came into service earlier this year

Difficult challenges for civil engineers

AIRPORT CONSTRUCTION

Presents civil engineering challenges often because it is considered other than the physical suitability of a location which mainly decides where airports are built. They must be located for the convenience of their users, not their owners and planners.

To make matters more difficult, the very proximity to centres of population, which is the airport's raison d'être, presents the engineer with the further challenge of serving the community without disrupting the daily lives of the non-flying majority through noise and other pollution.

When it was decided to develop a new airport at Changi, Singapore, in the mid-1970s, it was found that more than 900 hectares of land would have to be reclaimed from the sea and three rivers diverted to a man-made canal. In addition the human problems included clearing 600 farmers and squatters, demolishing 600 buildings and excavating 4,100 graves.

Considering the scope for increase in both importance and scale of air travel, it is perhaps surprising that in terms of expertise and experience there are no more than a handful of consulting engineering practices in the UK involved in the field, and that only the top half dozen or so of our civil engineering contractors have built airports, at least overseas.

The explanation lies in the process of selection used by clients, which is based heavily on word-of-mouth recommendation and past performance. For the same reason there are probably no more than 100 companies worldwide which would even be considered by a potential client to build a major airport.

At Sir Frederick Snow and Partners, Mr R. H. R. Douglas, partner in charge of airports, said: "Air travel is often the only means of communication in some Third World countries and the potential for growth is enormous, as it is far cheaper than road building. But there is too much tendency towards the grandiose—and at the same time there are countless 'dry' airstrips in operation. What we need is more of the middle way."

The partnership has recently completed airport projects in Zaire and Nigeria, is currently involved in Malaysia by the end of the century, ranging from international to rural standards. The planning studies for this ambitious development are being carried out by a consortium including British Airports International (BAI), Sir William Halcrow and Alan Stratford and Associates.

The consortium is also involved in more detailed work on three airports at Tawau, Ipoh and Pulau Langkawi. The first two will be sited on sea, the third on a plateau planned for a tourism-based island.

One constant problem always on the minds of airport consultants is the time lag which arises between the decision stage and the completion date. As this can easily be 10 years and often more, it is vital to think ahead as far as possible to avoid built-in obsolescence.

At Jakarta construction work was started in February 1981—but the consultants, Aeropar de Paris (one of the main competitors of UK specialists) were appointed as early as 1977. However, their brief was to assume a doubling of air traffic every four years and 380 air traffic movements a day (14m passengers a year) by 1990. The design provides for the complex airport services such as navigation, radar, communications and fuel, in a maze of underground networks.

A noted feature of that construction effort was that the contractor, Costain, had to resort to D-Day methods, transferring plant from ships anchored off the coast into landing craft which were able to run on to the beach, from where it was then transported to the site, 30 km away, by road. Kota Kinabalu, unlike Brunei, was not a totally virgin site, having had a small airport there already. But to increase its capacity to the 1.9m passengers a year the Malaysian Government wanted the runway

ties alone amounted to some 4,000 pages.

On the construction side, work began with the construction of a 7km long conveyor belt to transport aggregates from a new harbour built by the contractor. It is capable of moving 1,000 tonnes per hour. The runways are constructed using an Indonesian method consisting of 400mm of sand and 150mm of lean-mix concrete with 120mm diameter holes formed at 25mm centres both ways. Through these, rings are augered to receive 150mm diameter reinforced concrete pipes 3m long.

Reinforced

When the pipes are in position a 200mm continuously-reinforced slab is laid over the whole area of runways and taxiways. The method is known locally as "chicken foot." Completion of the airport is not expected before December 1984.

Queen Alia International Airport at Amman was officially opened by King Hussein of Jordan on May 25. Sir Frederick Snow and Partners were part of the consultants' team, and John Laing were the contractors. Located on a desert site 30km from Amman, Queen Alia has been designed to handle 2m passengers a year, with the possibility of expansion to handle 8-10m by the year 2000.



Construction at the new King Khalid Airport, Riyadh, which opened in May. Total cost is \$4.500m

In Bahrain a time challenge was met by Wimpey Asphalt, working in joint venture with Bahrain Asphalt. The job involved concreting the end of runways, where there is greatest wear-and-tear and most dust spalling, and strengthening pavements. The challenge: Gulf Aviation were scheduled to fly their wide-bodied jets from the airport by June 1. They did. Wimpey also has a contract in Switzerland where, by next spring, it will have laid 45,000 tonnes of base and 25,000 tonnes of wearing surface for Matsushiro Airport.

Even where an airport is being built from scratch in an agreeable climate the difficulties can be formidable. At Al Ain, Abu Dhabi, where Scott Wilson Kirkpatrick have been involved since 1978, the consultants were able to choose a site 15 km from the town, which could connect into the existing highway system.

But there are 60 ft sand dunes—and that means some 10m cubic metres of sand have had to be moved to level the area and then compacted under the runways to avoid settlement.

To complicate matters water which is usually used in large quantities in compacting is not available, and a different technique had to be worked out.

Based on the success of a method used in Kenya, it has been decided to use flexible construction for most of the runways (crushed stone base with either cement or bitumen) and use concrete only for runway ends, turning circles and aprons. Completion at Al Ain is expected in 1986.

Mira Bar-Hillel

Heathrow's new Terminal 4 is one of the most advanced in the world with facilities for 8 million passengers a year and 22 aircraft stands (8 of which will accept the next generation of 'stretched jumbo' aircraft).

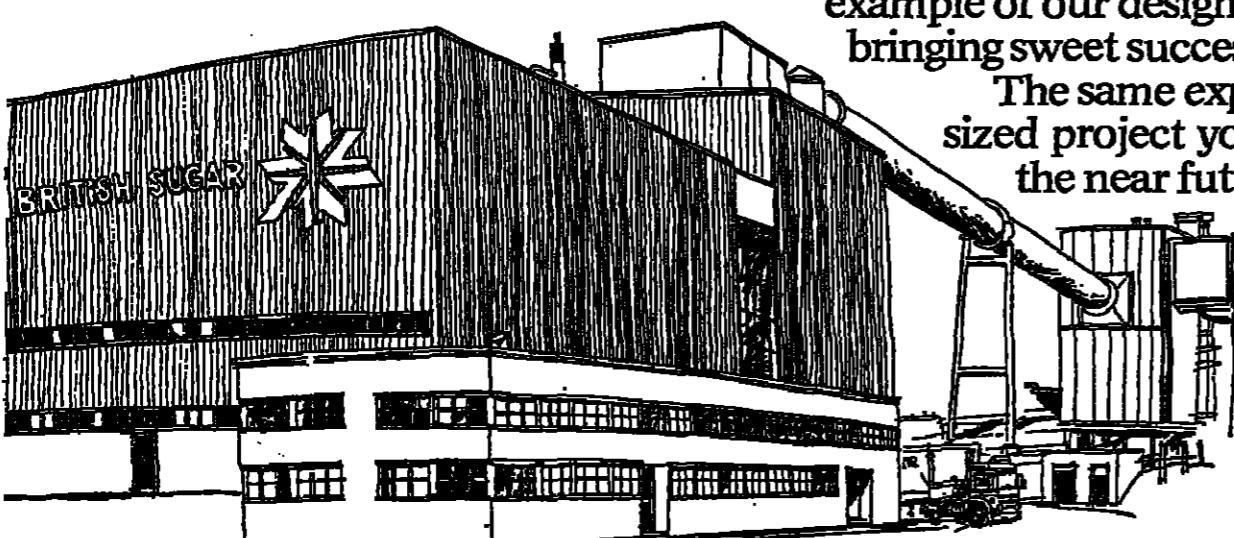
Terminal 4 at Heathrow Airport has been described as probably the largest management contract currently underway in the UK.

By the time it is completed, more than 150 work packages valued between £50,000 and £15m will have been undertaken, at a total cost of around £200m. But thanks to a lot of hard work, it's on its way. On time. And within budget. This jumbo-sized contract was awarded to Taylor Woodrow by the British Airports Authority who conceived and designed the new Terminal to meet passenger growth into the late 1980s.

Our ability to plan and sub-contract work on this scale is based on over 60 years of hard-won experience that has put us at the forefront of management contracting.

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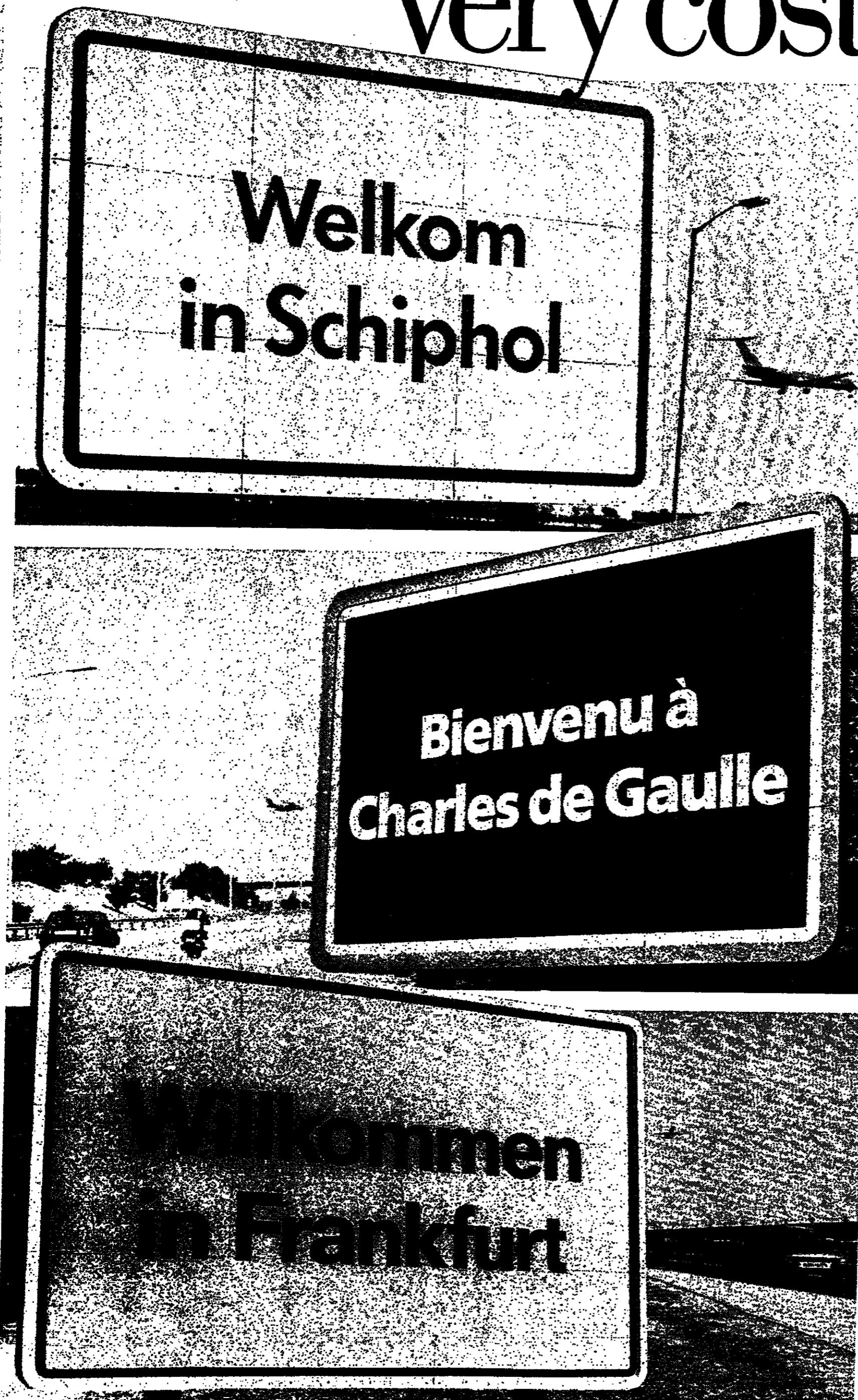
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EXPERIENCE, EXPERTISE AND TEAMWORK, WORLDWIDE
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FT89/4

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The alternatives to Stansted could prove very costly.



The why, when and whereabouts of London's third airport have been circling around for over 20 years.

And time, that most critical of airport planning factors, is running out.

If future air traffic diverts to our competitors, we'll be waving goodbye to a good deal of foreign currency.

Ticket sales to foreign visitors and landing fees from overseas airlines earned us £157 million last year. Countless millions more came in via incoming tourists.

In addition to the cash, there's the wealth of jobs that air travel generates. Not just in our airports but in shops, hotels, restaurants and the like.

With over 40 million passengers last year, a figure that's expected to double over the next decade, there's now an urgent need for airport development.

At the recent public inquiry, the forecasts supported an expansion of capacity in the South East. Even assuming the maximum growth for regional airports.

The air traveller will expect expansion at London too. Apart from the obvious attractions of our capital city, it offers more flights to more international destinations than anywhere else.

And if we can't cope with future demand, airline passengers will opt for our competitors across the Channel.

To hold our position on top of the world, we must develop our airport system around London.

And the logical location for this development is Stansted. An airport already operating successfully. An airport with rail services nearby and with London just a short trip down the M11.

But, while waiting for the green light at Stansted, we've still been moving forward.

At Heathrow we are spending £200 million on the construction of Terminal 4. It is due to open, on schedule, in 1985.

At Gatwick we've just completed a £24 million satellite terminal. And work has begun on a second main terminal costing a further £200 million.

When the above projects are complete, all feasible developments will be at an end.

There is talk of building a fifth terminal on the sewage works west of Heathrow.

But this scheme could never be ready in time to meet the expected number of passengers.

It would cost £100 million more than developing Stansted.

And, in any case, it would exceed the government limit on air traffic movements at Heathrow which comes into force in 1985.

At the British Airports Authority we think the question has been up in the air long enough.

To ensure that foreign currency continues to land in London, we must come down in favour of Stansted.

British Airports



AIRPORT PLANNING IV

\$80bn investment sought for capital programmes

ALTHOUGH THE world recession has damped demand for civil airliners, causing severe difficulties for its share of scarce financial resources.

What is impressive in the current situation is that despite the poor financial returns of the air transport industry in the past few years as a result of the recession, long-term confidence in its expansion and ultimate profitability has remained strong, and many governments and airport authorities worldwide are still prepared to invest substantial sums in new aircraft fleets and in the development of existing airports and on the construction of new ones will account for some \$80bn of investment by the year 2000.

When this sum is added to the expected investment of at least \$167bn on new airliners of all kinds through to the early 1990s alone, with substantial further sums involved beyond then, it can be seen that the capital requirements of civil aviation probably will rank as among the biggest of any single industry in the world.

To find the money to finance these programmes will be a major problem, because although in many countries, especially in the Third World, civil aviation is a priority de-

velopment industry, it must still compete with many other industries for its share of scarce financial resources.

What is impressive in the current situation is that despite the poor financial returns of the air transport industry in the past few years as a result of the recession, long-term confidence in its expansion and ultimate profitability has remained strong, and many governments and airport authorities worldwide are still prepared to invest substantial sums in new aircraft fleets and in the development of existing airports and on the construction of new ones will account for some \$80bn of investment by the year 2000.

This confidence is not just due to a belief in ultimate cash returns, however, but as much, if not more, to the conviction that to have a vigorous air transport industry with its associated ground infrastructure (such as an airport) is of vital importance to overall economic growth. For any country to be without air transport in the remaining years of this century will be voluntarily to cut itself off from the mainstream of global economic development.

There are many developments of financing airport developments. In many countries of the Third World, much of the necessary money comes from two main sources. One is cash aid donated

by the richer Western industrial nations, channelled either directly into the countries concerned for specific projects, or made available through technical assistance schemes operated by such bodies as the International Civil Aviation Organisation (ICAO), the aviation technical agency of the United Nations.

The second is through loans, repayable in various ways over various periods of time, and made available by Western banks and other financial institutions, secured against guarantees of repayment by the governments of the recipient countries.

Direct aid

While some of those countries are in a position to generate some part of the necessary cash from their own resources, this is usually only a small proportion of the total required, and recourse to loans or direct aid accounts for a substantial proportion of the money now being spent on airport development in the Third World.

For this reason, the major Western industrial (and often international) consortia either

already undertaking or bidding for new airport development

contracts in those Third World countries have to be prepared to offer, alongside their civil engineering and other technical expertise in airport construction, adequate financing arrangements for the project.

Frequently, these consortia

include either one or more financing institutions in the group bidding for the deal, and so competitive is the international airport business that very often—as, indeed, with airline re-equipment orders—the contract goes to the consortium that can offer the best financing terms.

In the more developed countries of the Western world, airport financing methods vary widely, depending largely upon whether or not the airport concerned is a Government-sponsored project, or a privately-organised venture. In most countries of Western Europe, the former is the case, in which case the funds for the airport come either from central Government sources, or through borrowing on the open capital market, backed by long-term government guarantees of repayment.

In the U.S., however, where the Federal Government hitherto has had comparatively little direct involvement in airport

development, the matter is being left more to State governments or to local municipal authorities. More direct sources of funding are common—such as local bond issues in the communities around the airport, the prior sale of concessionary rights (such as car parks, shops, car hire and so on), and even the sale to airlines of specific "sites" or whole terminal buildings in the airport.

In the U.S., for some time past under the Government's "user pays" philosophy, air travellers have seen part of their ticket money allocated to what has been called the Aviation Trust Fund, set up under the original Airport Development Aid Plan in 1970.

There was much complaint, however, that the money collected by this means was not being channelled sufficiently into the development of airports, and after much debate, new legislation, the Airport and Airway Improvement Act 1982, has now been passed by Congress. This is intended to create a planned, predictable programme of air transport development, designed to put the nation's airports and airways back on track for future growth.

Money will be raised through an 8 per cent ticket tax for domestic passengers and a \$3 departure tax for international passengers, with levies on air freight waybills (5 per cent), and on fuel (14 cents a gallon for jet and turbo-prop operators and 12 cents a gallon for piston aircraft operators).

This money will yield some \$6.2bn through to 1987 for facilities and equipment to improve the air traffic control

systems and weather information service, with some \$4.8bn allocated additionally for airports over the next five years, ranging from \$600m in 1983-84 to just over \$1bn in 1987-88, an average of about \$365m a year over the five years.

Of this, about 50 per cent will go towards developing major airports, 12 per cent for "general aviation" airports, 10 per cent for small "reliever" airports, and 5 per cent for commuter (small commercial service) airports. The rest will go towards grants for noise abatement and other airport related activities.

The entire U.S. airport system is expected to benefit from this scheme, which is believed by many in the U.S. to set a model for financing air transport development in other countries. The scheme will not supplement private venture money, though bond issues for airport development, to be supplement it, since over the rest of this century it is expected that many billions more for airports will be needed than the new levies will raise.

In the UK, the British Airports Authority, the biggest single owner of airports, finances most of its development programme from its own internal resources, although it is permitted to borrow up to £200m, which can be extended to £300m by the Secretary of State for Trade if necessary. Current BAA borrowings from the government amount to about £65m. The Authority remains consistently profitable, however, so that new borrowings have so far been kept to a minimum.

The Authority hopes that this

will remain the case even when the anticipated heavy spending occurs on Terminal Two (the new North Terminal) at Gatwick (over £150m for the first phase) and the eventual Heathrow Terminal Five or Stansted redevelopment (for which £175m is being allocated). Overall, the Authority's capital outlays on airport developments for the five-year period from 1983-84 to 1987-88, will amount to about £755m.

Queue

Elsewhere in the UK, local authorities finance their airport developments either from their own resources or by borrowing, but the amounts they are allowed to spend are limited by the government's own restrictions on all local authority spending. This means that plans for municipal airport developments (and there are 23 such airports in the UK) have to take their turn in the queue along with other local community programmes, and as a result sometimes the local authorities' plans have to be trimmed to meet the government's ceilings on spending.

A plan for the Civil Aviation Authority to divest itself of its small Scottish airports (Banff, Inverness, Isle, Kirkwall, Stornoway, Sumburgh, Tiree, and Wick) has been mooted, but has not so far produced results. It is also now planned that in the longer term, the British Airports Authority itself will be "privatised," which would probably help that body to borrow capital on the open market.

The BAA itself is not opposed to principle to privatisation, but it is opposed to any suggestions of breaking up the authority and selling off major airports such as Heathrow as individual going concerns. The profits on Heathrow, Gatwick, Glasgow and Aberdeen in 1982-83 helped to offset losses on the other airports, such as Stansted, Edinburgh and Prestwick.

Michael Donne

Record investment in equipment

THE MAKERS of airport equipment, from radars to runway lights, have set their sights on winning a share of the estimated \$80bn market, forecast by the International Air Transport Association, for new airports and expansion of existing airports up to the end of the century.

This record investment covers only the major infrastructure demands of airport construction, such as land purchase, runway design and construction, and the building of airport terminals.

The range of equipment necessary to turn this infrastructure into fully operational airports able to handle the most advanced airliners of the 1980s and beyond will require additional billions of dollars.

The scale of spending could be far greater than the forecast \$80bn if the demand for air transport services expands faster than predicted. This year alone, confidence that there will be further substantial growth in air transport is underlined by the total spending of about \$23bn on airport projects currently under way.

This investment covers projects ranging from completely new airports to the more modest redevelopment or modernisation of established airports to cope with rising numbers of passengers.

Whatever the scale of the projects, most airports will require minimum up-to-date facilities to provide safe and efficient operations. Radar and the means for radio communication between ground air traffic controllers and airline pilots are essential for almost all airports and the competition among international manufacturers to win orders is intense.

Air traffic control systems include high capital cost equipment such as secondary surveillance radar systems, radar displays in ground control centres, airfield control radars and remote supervision systems such as the Marconi Radar Systems' computerised modular monitoring system. This system

gathers data automatically from a large number of points and, after processing, displays information in plain language to the operating staff.

Other important equipment for safe airport operation in the 1980s includes equipment for servicing and fuelling aircraft and fire fighting and emergency equipment for ground safety.

Essential

Ground infrastructure equipment essential for the safe operation of airports includes runway lighting systems and other landing aids such as precision approach path indicators to allow pilots to ensure they make the correct angle of approach to the runway. Runway ice detectors and airport meteorological systems are also essential.

These advanced electronic and electrical systems provide the crucial facilities for airline operations. On the other hand, the airport terminal is the centre of operations so far as the passenger is concerned.

The terminal building and its associated equipment is one of the most costly items on the airport capital budget. The proposed second terminal building at Gatwick Airport, the North Terminal, as it is to be called, is alone expected to cost about £80m of the estimated £150m allocated for the entire North Terminal development.

The North Terminal will be the second passenger building at Gatwick airport to have an automatic rapid transit system for passengers. The airport's "satellite" terminal, already in use, is linked to the existing main terminal building by a £3m transit system built by Westinghouse Transportation of Pittsburgh in the U.S.

The Westinghouse transit system at Gatwick is based on two separate passenger vehicles, running on two separate 300 metre long parallel tracks above the tarmac. The passenger vehicles each take 44 seconds to take up

Environmental requirements include lighting, ceilings, air conditioning, furniture, catering equipment, medical facilities and the wide range of maintenance and safety equipment associated with large, heavily-used public buildings.

Airports also need mechanical handling equipment including aircraft, moving tugs, fork lift trucks, cargo handling trucks, conveyor belts and passenger luggage retrieval systems.

The scale of the investment required for an airport of the 1980s and beyond is such that many of the specialised manufacturers of airport equipment in Western nations have joined forces in informal groups of "national" airport equipment makers, to fight the intense competition from other foreign national groupings to win orders.

Supported

The main European countries have all tried to develop their own national equipment companies. In Britain, the UK Airports Group is one of the more recent amalgamations of interested parties in the airport equipment field.

The group was created by the Trade Department and has been supported by Lazard Frères merchant bank in all its bids for overseas contracts. GEC Electrical Projects is a leading member of the group, which also includes Marconi Avionics, Plessey Radar, Racal-Decca, Ferranti, Thorn-EMI Cossor, IAI and British Airports International, some of the leading names in the airport equipment and consultancy field.

In France, the Aéroport de Paris has close links with the French Thomson-CSF group of electronic equipment makers. Germany has its Frankfurt Airports Authority and in Holland, the Netherlands' Airport Authority, NACO, has links with local industry to help win large contracts for airports and airport equipment.

Lynton McLain

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struction of airfields and airports around the world for more than 40 years.

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The flexibility to act quickly, to cope with late changes in transport or maintenance equipment design? Naturally.

Experience in a variety of industries, and forms of contract in the UK and other highly developed countries, and in the third world? Definitely.

French Kier believes in the paramount importance of close client-contractor-consultant working relationships, the highest standards of work, strict budgetary control, the use of its own team of professional specialists; dedication to completion on time.

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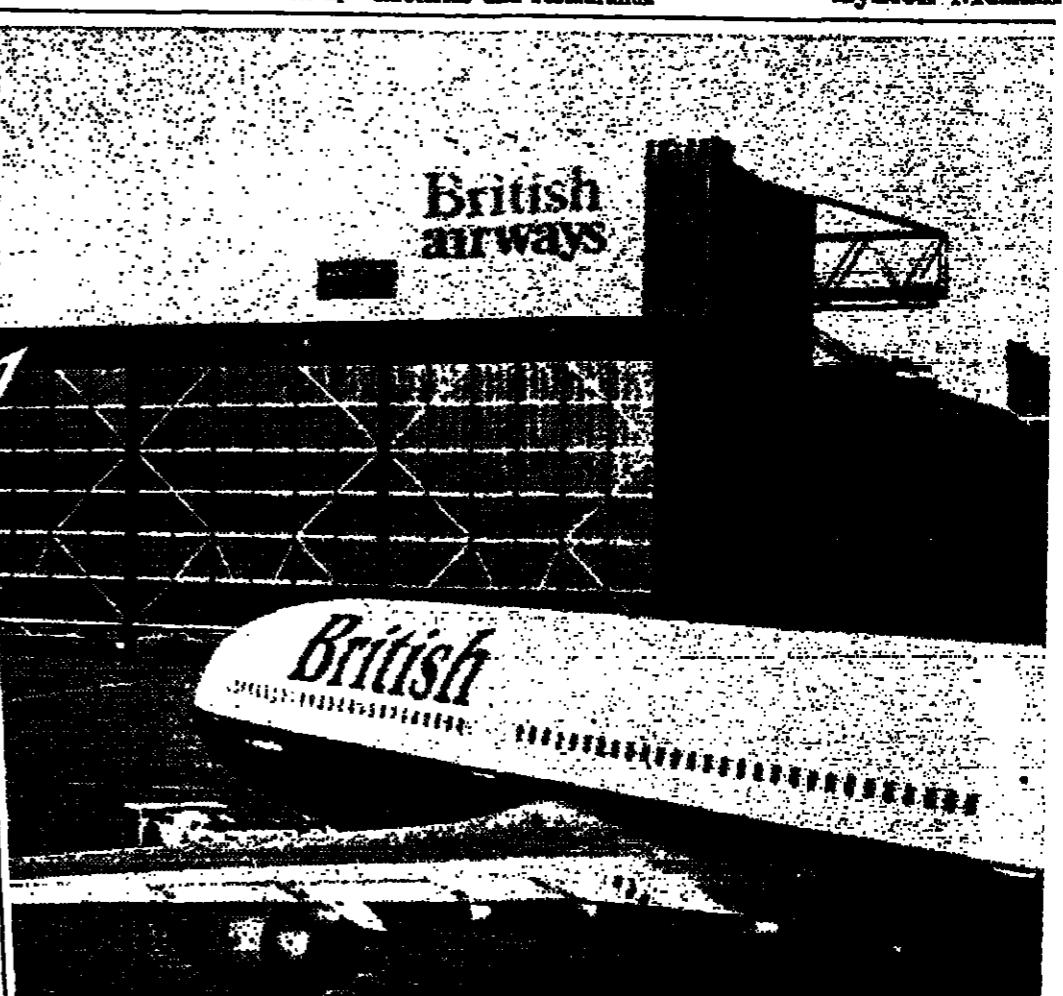


French Kier at Heathrow

French Kier has been building at Heathrow for over 30 years. The original hangars built by us in the 1950s, are doubled in size by the new extension shown above to house Boeing 747s.

HK FRENCH KIER CONSTRUCTION

A member of the French Kier Group



French Kier

AIRPORT PLANNING V

AFRICA

Country	Airport	Type of development	Est. cost (m)
Algeria	Tiaret	new plus extension	\$450
Botswana	Mmabatho	new	\$10
Botswana	Gaborone	new	\$40
Burundi	Bujumbura	redevelopment	\$40
Cameroon	Douala	redevelopment	\$40
Congo	Brazzaville & others	redevelopment	\$10
Gabon	Libreville	redevelopment	\$10
Ivory Coast	Abidjan	redevelopment	n/a
Lesotho	Maseru	new	n/a
Libya	Tripoli	redevelopment	\$70
Lybia	Benghazi (Sarir)	new	\$65
Malta	Nik	redevelopment	\$40
Malawi	Lilongwe (Kamuzu)	new	\$60
Nigeria	Abuja	new (terminal dev.)	\$20
Mauritius	Port Louis	new	\$15
Nigeria	Abuja	new terminal	\$20
Nigeria	Owerri, Kano, Gombe, Calabar	new domestic air-ports	n/a
Seychelles	Mahe	redevelopment	n/a
Somalia	Mogadishu	new	n/a
South Africa	Durban	new	n/a
Sudan	Khartoum	new	\$15
Sudan	Port Sudan	new	n/a
Tanzania	Dar-es-Salaam	redevelopment	\$67
Tunisia	Carthage	redevelopment	n/a
Tunisia	Bourguiba	new airport study	n/a
Tunisia	Tunis	new	n/a
Upper Volta	Ouagadougou	redevelopment	n/a
Zimbabwe	various	redevelopments	\$5
			Total \$1,780



Left: Interior of Terminal Two at Charles de Gaulle Airport, Paris. The controversial circular design of Terminal One has been abandoned in favour of passenger facilities on either side of a central main access road. Right: Terminal 4 at Heathrow which opens in 1985. It is designed to handle about 8m passengers a year



AUSTRALIA

Country	Airport	Type of development	Est. cost (m)
Australia	Brisbane	new domestic term.	\$172
Australia	Darwin	redevelopment	\$50
Australia	Perth	new terminal	\$45
Australia	Sydney	new	\$800
			Total \$1,067

CANADA

Country	Airport	Type of development	Est. cost (m)
Canada	Edmonton	redevelopment	\$20
Canada	Halifax	redevelopment	n/a
Canada	Ottawa	redevelopment	\$40
Canada	Toronto	redevelopment	\$33
Canada	Vancouver	redevelopment	\$127
			Total \$230

CARIBBEAN

Country	Airport	Type of development	Est. cost (m)
Antigua	Coolidge	new terminal	\$8
Cuba	Havana	new	n/a
Grenada	Grenada	new	\$75
Guadalupe & Tok.	Port of Spain	redevelopment	\$10
Turks & C. Man.	Providenciales	redevelopment	\$10
Virgin Isles	H.S. Truman	redevelopment	\$75
			Total \$175

EUROPE

Country	Airport	Type of development	Est. cost (m)
France	Bordeaux	runway strengthening	n/a
France	Paris CDG	new terminal	\$100
France	Nice	redevelopment	\$11
France	Nice	new terminal	\$100
Germany	Frankfurt	redevelopment	n/a
Hungary	Budapest	redevelopment	\$100
Greece	Athens (Spata)	new	\$800
Italy	Rome (Fiumicino)	redevelopment	n/a
Italy	Naples	new	n/a
Luxembourg	Findel	redev. int'l stds	n/a
Portugal	Lisbon (Portela)	rev. (incl. new trm)	\$136
Portugal	Madeira (Funchal)	runway extensions	n/a
			Total \$1,036

FALKLAND ISLANDS

FAR EAST

Country	Airport	Type of development	Est. cost (m)
East Falklands	Mount Pleasant	new airfield	\$366
			Total \$366

BANGLADESH

INDIA

INDONESIA

INDIA

AIRPORT PLANNING VI

Whether to expand Heathrow still further or develop Stansted is the biggest single issue

Waiting for the inquiry result

London

BY FAR the biggest single issue dominating the future development of airport capacity in South-East England is the debate over whether or not to expand Heathrow further by building a fifth major passenger terminal, or to develop the now under-utilised airport at Stansted in Essex.

There are other airport issues for London and the South-East. One is the longstanding problem of where to site a new airfield exclusively for the use of business aircraft close to London, with various choices under consideration.

The pressures on runway capacity at both Heathrow and Gatwick over the period ahead will make it difficult for the British Airports Authority to accommodate as many business aircraft as perhaps it would like, and certainly not as many as the business flying community would like.

Accordingly, the search has been on for some time to find a convenient airfield south of the Thames that could be used as a purely business airfield for London. The possibilities of Biggin Hill and West Malling in Kent have been considered, but for environmental reasons they are now considered inappropriate, and the choice now appears to be to take over part of the Royal Aircraft Establishment field at Farnborough. This probably will offer the business flying community the last chance of a suitable business field south of the Thames serving London, and they would be well advised to accept it.

Another major current issue in the South-East is the possibility of providing a Short Take-Off and Landing (STOL) runway for regional short-range jet airliners on a currently derelict site in London's Dockland.

The STOL airport proposal is already the subject of a public planning inquiry, which started early in June. The scheme envisages building a small airfield on the wharf between the Royal Albert and King George V docks, for use by quiet "Strollers" such as the de Havilland Canada Dash 7 single user of Heathrow, to

Seven, now in service with Brymon Airways.

The scheme has been put forward by John Mowlem and Company, civil engineers, in association with Brymon. It is thought that the number of passengers using such a Stolport could rise to about 1m a year, with between 60 and 70 Dash Seven aircraft movements daily. These would link the Stolport with other parts of the country and the Continent—connecting such cities as Glasgow, Birmingham, Plymouth, Paris, Amsterdam, Brussels, Geneva and Frankfurt.

Airlines other than Brymon would be allowed to use the Stolport, provided they operated quiet airliners similar to the Dash Seven. The inquiry into the scheme is still in progress, and a decision by the Secretary for the Environment is not likely before early next year.

Controversy

But overall it is the Heathrow versus Stansted controversy that dominates airport development thinking in the South-East. This is especially so now that the other long outstanding issue—the long development of Gatwick—is effectively settled. Completion of the new Satellite Terminal there, and work now begun on the construction of a second major terminal in the airport's northern area will raise total passenger capacity from 16m to 25m a year.

The Heathrow versus Stansted debate has been the subject of a major public planning inquiry that was completed in mid-summer. It turns on whether or not a fifth major terminal at Heathrow, raising that airport's capacity from the currently planned 38m (when a fourth terminal under construction is completed) by another 15m to a total of about 53m, by the late 1980s or even early 1990s, will be adequate to cope with traffic growth.

The alternative solution is to develop Stansted initially to cope with 15m passengers a year, with eventual capacity for growth to 50m a year.

This debate has polarised opinions in the civil aviation industry in a way that no other issue has done for many years. British Airways, the State-owned flag airline and biggest

of the "Strollers" such as the de Havilland Canada Dash 7 single user of Heathrow, to

gether with many other airlines at that airport, have been arguing strongly in favour of the fifth terminal. They do not want to see another "split operation" (which would involve installing engineering and other facilities at Stansted in addition to those already at Heathrow and/or Gatwick) which they claim would dramatically increase their costs.

The airlines would prefer to have all their facilities in one place, and that means only Heathrow. Many of the airlines are equally as strongly opposed to using Gatwick, in addition to Heathrow, and some have positively refused to move there.

However, the British Airports Authority, which owns Heathrow, Stansted and Gatwick, has argued that to develop a fifth terminal at Heathrow would be just as expensive, if not more so, than developing Stansted. This is not only because of the need to move a big sewage sludge works at Heathrow which is on the projected site of the proposed terminal, but also because the large-scale involvement in that operation would mean that any fifth terminal would be available too late to meet the anticipated growth in demand.

Stansted on the other hand, in the Authority's view, is available for development now. It could be turned into a 15m passengers a year airport more quickly and conveniently than any development at Heathrow and, moreover, would be an effective "expansion chamber" for further air traffic growth in the South-East well into the next century, when any fifth terminal at Heathrow would itself have become saturated.

To choose between these two options is a major task for Mr Graham Eyre, QC, the inspector appointed by the Government to conduct the public inquiry. Millions of words have been spoken at both the Stansted section of the inquiry, which lasted for over a year, and at the subsequent Heathrow section.

Mr Eyre is now writing his report and will submit it to the Government, probably by late this year or early next.

How long it will take the Government to decide which option to take remains to be seen. Whatever the decision goes, it is bound to be highly unpopular.

The residents around Stansted will argue that their rural environment will be spoilt by the introduction of an airport eventually as big as, if not bigger than, Gatwick is now.

Residents round Heathrow will complain of increased noise and aerial pollution, the saturation of roads surrounding the airport, and intolerable pressures on other systems such as sewage, lighting, water supplies and all the other necessary elements of airport development.

Clear-cut

The task is clear-cut in the British Airports Authority's view—Stansted is an open-ended option for as long into the future as can be seen, whereas a fifth terminal at Heathrow is to go up a cul-de-sac with the strong possibility of the debate on additional airport capacity having to be re-

opened at some time in the future.

The airlines do not see it that way, but they are not required to take the same long view as the Authority. For the airlines, the more immediate problem in a period of financial stringency is keeping down costs and maximising current profits. This means making the maximum use of what they have got and avoiding spreading their operations across too many airports.

The issue of what to do about future airport capacity for London has been hanging over everyone more than 20 years. Earlier decisions have come to nothing. That taken originally in the 1960s to develop Stansted was rescinded in favour of an airport at Maplin on reclaimed land off the Essex coast. This in turn was cancelled in 1974 by the Labour Government, on grounds of too heavy costs and insufficient need (it was at the time of the first oil crisis

which resulted in an air traffic charter, has been arguing that growth at airports in the Midlands and the North, so those airports will expand to meet it.

Since the money to be spent on any Heathrow/Stansted development will come from the British Airports Authority's own resources there will be no diversion of cash from other airport programmes, and it is up to the airports in the Midlands and the North to finance their own future expansion.

Michael Donne

Need for long-haul flights to bring growth

Manchester

THE DEVELOPMENT OF MANCHESTER INTERNATIONAL AIRPORT

Britain's only category A gateway airport other than Heathrow and Gatwick has tended to deteriorate over the last decade to a rate faster than that of most other airports in Western Europe. This rapid growth has been hampered, however, by a long-term weakness in long-haul services and freight handling.

For the future, at stake is the likely outcome of extensive developments already drawn up and which, as they are built, will cost in excess of £100m to gear the airport to handle a forecast rise in passenger traffic and long-haul services.

Such forecasting is very difficult to do but to allow for detailed planning, the Manchester International Airport Authority has plumped for a figure of 9.25m passengers a year in seven years' time, as

against the current 5m. This could be wildly out. The lowest estimate is 7m passengers and the most optimistic considerably above 10m.

Such expenditure would be on top of the £5.6m recently spent to extend the airport's one runway by 300 feet, bringing the available length to 10,000 feet. This allows longer take-off runs and therefore higher take-off weights for the heavier wide-bodied jets. Some £13.5m was spent before this on runway improvements.

The handicap that the airport authority, which is run by Manchester City Council and the Greater Manchester metropolitan county, believes it suffers from is the unpleasant after-shocks of a pro-South East bias within both the UK's national airports organisational machinery and in air travel.

One of the problems is that if an international airline wants to start a service from Manchester, it will be required to give up one from London.

This general feeling stretches, rightly or wrongly, deep into the North West community and manifests itself most strongly in the members of the Northern

Consortium, set up to fight the North West's case against that of developing Stansted.

A third London airport might very well restrict the future growth of Manchester, which is the UK's third-busiest airport and that would certainly have some consequences for the North West, one of whose engines for economic strength is the airport itself.

Others might argue that Manchester has been the recipient of more than its fair share of financial assistance since the 1939-45 war.

Restructure

Certainly the airport is in a commanding position to serve the community. Within a catchment area of 75 miles radius, which includes part of the Midlands and Yorkshire, live 20m people. At one time this area also included an estimated 50 per cent of manufacturing output but the recession and industrial restructuring may well have altered this.

The airport is served by a marvellous network of motorways linking it to the main M6, M62, and M1, and with a motorway spur right into the terminal.

Despite the anxiety over the possibility of a third London airport, Manchester has been doing reasonably well. The most visible sign recently is the new service started this spring by the Australian airline, Qantas, of a twice-weekly flight Down Under from Manchester via Amsterdam and Bahrain.

The airport has been boosting its promotional activities, looking to grab more long-haul services to add to its strength in European flights. Administration at the airport went through structural changes in 1982 and last year, partly as a result of that, and partly as a means of establishing a better marketing effort.

It figures look good. Expansion took the total of 2.54m passengers in 1972 to 4.57m in 1981, and above 5m last year when the airport made a profit of almost £13m.

The 40 or so airlines using it operate to more than 100 destinations through one of its weak links here is the absence of a scheduled passenger service to the U.S. Summer charter flights to North American destinations are part of Manchester's buoyant holiday package traffic.

Freight has had a more chequered development. After a peak of 46,250 tonnes nine years ago, this traffic dropped to 32,500 tonnes in 1981. New cargo services to North America have been started though and a change in the UK's manufacturing fortunes might lead to a long-term reversal of the trend.

The value of the freight

expected through the airport

last year was £1.5m and Manchester is due to have a new freight terminal in 1985 set away from the passenger terminal and with its own motorway spur.

Apart from this new cargo

development, plans for the

1980s include a new passenger terminal; improvements to the

existing one; provision of additional access roads and car parks and new aircraft servicing and handling facilities.

The latter would involve new

maintenance facilities, better

manoeuvring areas and aircraft

wash-pads, engine testing areas

and improved hard-standing.

Nick Garnett

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AIRPORT PLANNING VII

A struggle to win more revenue

Wales

WHILE HEATHROW and Gatwick wrestle with the severe pressures on their handling capacity created by the air travel revolution, airports in Wales and the rest of England are still at the stage of fighting to attract more traffic and revenue to justify their existence.

The last few years have not been easy. The makings of a network of scheduled services to other parts of the UK and to the Continent built up during the 1970s were largely knocked on the head by the recession.

Nevertheless, airport authorities—local councils in the main—have soldiered on, and there are now signs that their faith in the viability of their facilities is at last being rewarded, thanks largely to a healthy growth in the holiday charter market.

Improvements

Cardiff Wales Airport (still perhaps better known in the business as Rhosneigr) acquired a prestige modern terminal building as long ago as 1973, yet it is still not paid for and, despite recent improvements, is being used at only a third of the airport's potential handling capacity.

A brighter picture is beginning to emerge. In the last financial year, the airport's total deficit, including repayment of debt charges, fell to £655,000, less than half the deficit three years ago. Cardiff's operating deficit for

1982-83 also dropped sharply, to £239,000, which was £105,000 better than originally forecast and the airport's best performance to date.

Passenger numbers rose to a record 385,000, an increase of 17 per cent or 66,000 compared with the previous year. Most has been holiday charter business. The operators are at last recognising that there is a good and expanding trade to be gained by taking their aircraft nearer to potential users rather than expecting passengers to travel to airports in South East England.

At the same time, Cardiff's scheduled services are also showing signs of growth again after a number of setbacks in recent years. One heartening development is the restoration of a daily link with Hawarden in North Wales and Liverpool, a service which now also takes in Swansea.

Over the coming year, Cardiff expects to do even better. There is a sharply-growing market for bargain winter breaks in the Mediterranean. But more significant still is Cardiff's decision to go ahead with a long-discussed plan to extend the runway and so extend the airport to compete seriously in the direct transatlantic market. Until now the runway has been too short for fully-loaded large aircraft to take off.

By next summer, the runway will have been extended by 750 ft at a cost of £200,000. This opens the way for direct transatlantic flights and two U.S. operators are already promising to take CP Air Hall 747s which has pioneered an indirect summer service to Toronto over the past two years. The extension also encourages flights to more distant

European destinations involving larger aircraft.

It only remains to be seen how this major development will affect Cardiff's main rival, Bristol, where the airport (formerly Lubgate) has also been experiencing a rapid growth in traffic, up nearly 25 per cent over the past year.

Charter holiday business, up 24 per cent to nearly 160,000 passengers, accounts for the bulk of the increase, but scheduled services are also showing improvement.

Reward

Bristol's performance represents a just reward for a major effort over the past 2½ years to improve its facilities and attract more traffic. Some £15m has been spent on a new instrument landing system, new departure and arrival lounges, an automatic check-in desk, a new restaurant and duty-free shop, plus a car park extension.

Even after paying for these improvements, Bristol still managed to turn a profit of £230,000 in the last financial year. It is now looking at extending the main apron to accommodate more aircraft but, unlike Cardiff, has no plans at present to compete in the direct transatlantic market.

Bristol is, however, making significant efforts to strengthen its freight traffic, by providing a service which offers local businesses an alternative to the congested facilities at Heathrow and Gatwick.

A new import-export company, United Air Consolidators, has been launched in association with Dan Air and Glitspurs to carry freight via

Amsterdam's Schiphol airport, with Dan Air's freight capacity being supplemented by a regular weekly road freight service to the bonded warehouses at both Bristol and Cardiff. Launched in April, it has got off to a promising start.

Exeter Airport, in the south west peninsula, is also enjoying a sharp improvement in business, with traffic up again 20 per cent in the year after a massive 500 per cent jump in 1982. The growth is in inclusive tours to all the main Spanish resorts, developing from a summer trade into a year-round business, combined with £2m worth of investment in improved facilities, is largely responsible for the greater usage. As a result, Exeter turned to an operating profit last year (1982-83) of about £215,000.

Swansea Airport, serving South West Wales, is still fighting to establish viability. Indeed, a year ago there was talk of closure. But the city council has now decided to put extra resources into its development as an integral part of Swansea's industrial development effort.

Mr David Cutler, the newly-appointed airport manager, says the demand is there but that it is being seriously impeded in his efforts to develop more traffic by the absence of customs facilities, following Government cuts in customs manpower.

His difficulties illustrate one small but significant step the Government itself could take if it wants to encourage even greater use of regional airports and reduce the pressure on facilities in the South East.

Robin Reeves

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Focus for building local economy

Birmingham

CONSTRUCTION WORK is on target for next spring's official opening of the new Birmingham International Airport, a £50m project expected to create more than 2,000 jobs by the end of the decade.

The new terminal buildings and runways are designed to cater for nearly 3m passengers and 33,000 aircraft movements by 1990. West Midlands County Council, owners of the airport, see it as an important focus for regenerating the local economy.

Mr Colin Beardwood, chairman of the airport committee, spearheading pressure on the Government to choose a site based on Birmingham Airport for designation as a "freeport" or duty-free zone.

He insists that no direct support would be sought from the Government; the county council would act "as a catalyst" to set up a freeport as a separate venture backed by private funds.

"The stakes are high," Mr Beardwood argues, pointing to the importance of such a venture in attracting high technology industry, creating new jobs and stimulating the regional economy.

The county council bases its case for consideration as a freeport both on the geographic advantages of a site astride the principal road and railway networks and the "opportunities" presented by the opening of a new airport.

Scheduled services have operated from Birmingham Airport since it was opened in 1939 by the city council, but the real growth has come over the past two decades. From 1961, with the extension of the terminal buildings, when 300,000 passengers a year were using the airport, the number more than doubled to 700,000 by 1970.

Even the recession in the wake of the oil crisis failed to check the upward growth, and the



Captain Trefer Jones of Birmingham Executive Airways which uses BAe Jetstream 31 aircraft to provide business links with the Continent

Volume of passengers climbed to 1.8m by the end of the decade.

Birmingham was designated by the Government in 1978 as a Category B airport, catering for regional demand, charter services related to the tourist market, and also providing a network of short-haul international and domestic services.

Charter

Frequent feeder services to Heathrow and Gatwick have been a source of growth. Holiday charter operations to the Mediterranean airports have also been important and now take about half the passengers using Birmingham.

Such expansion inevitably has brought congestion and problems in passenger handling. Government backing for the County Council's expansion programme followed a public inquiry in 1979. The difficulties involved in accommodating the projected growth in traffic were such that the solution adopted has been to opt for a completely new passenger ter-

ral building in the north-east side of the main runway.

Structurally, the new building will be a conventional three-storey structure with a steel frame clad in a grey tinted glass window walling system. The county architects explain that the whole of the terminal has been designed with a double window system to ensure natural lighting and vision where required but backed with insulated walls to provide noise reduction and insulation.

A conventional layout for the terminal was finally adopted after first investigating more unusual ideas, such as mobile lounges, satellite terminals and other complex systems to separate incoming and outgoing passengers.

New standing areas for aircraft capable of accommodating 20 medium to large jets, will be connected directly to each end of the main runway by a complete new taxiway system. Better airport guidance lighting and additions to the instrument landing system will

minimise building in the north-east side of the main runway.

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Fixed wing and helicopter traffic

Scotland

OFFSHORE OIL and gas development has changed Aberdeen Airport from a sleepy regional destination to Britain's third busiest airport in terms of air transport movements.

Airport officials have also yet to find anyone to dispute their claim that Aberdeen is also the world's largest heliport. Early any weekday morning, the airport is alive with the thrash of helicopter rotors as ten or more of the aircraft, with take-off clearance to ferry crews to offshore platforms and bring other back.

The marriage of fixed wing with helicopter traffic has given Aberdeen a special character and has presented airport planners with special development problems.

Some of the key changes have been carried out by the

helicopter operators themselves to increase their hanger accommodation to meet a big jump in traffic. Airport figures show a 50 per cent increase in helicopter flights in the year to March.

Crews heading to oil rigs expect to carry 307,000 passengers a year.

Bristow Helicopters and British Airways Helicopters have considerably enlarged their hanger and maintenance areas for their helicopter fleets. British Airways has built a new hanger to house the Chinook two-rotor machines if used for long-range flights.

Bristow's own passengers, who expect each company to provide the extra locker room area in the departure lounge where survival suits are issued to each passenger heading offshore.

British Caledonian Helicopters and North Scottish Helicopters have their hangers on the opposite side of the airport. These two companies while operating their own hangers and main-

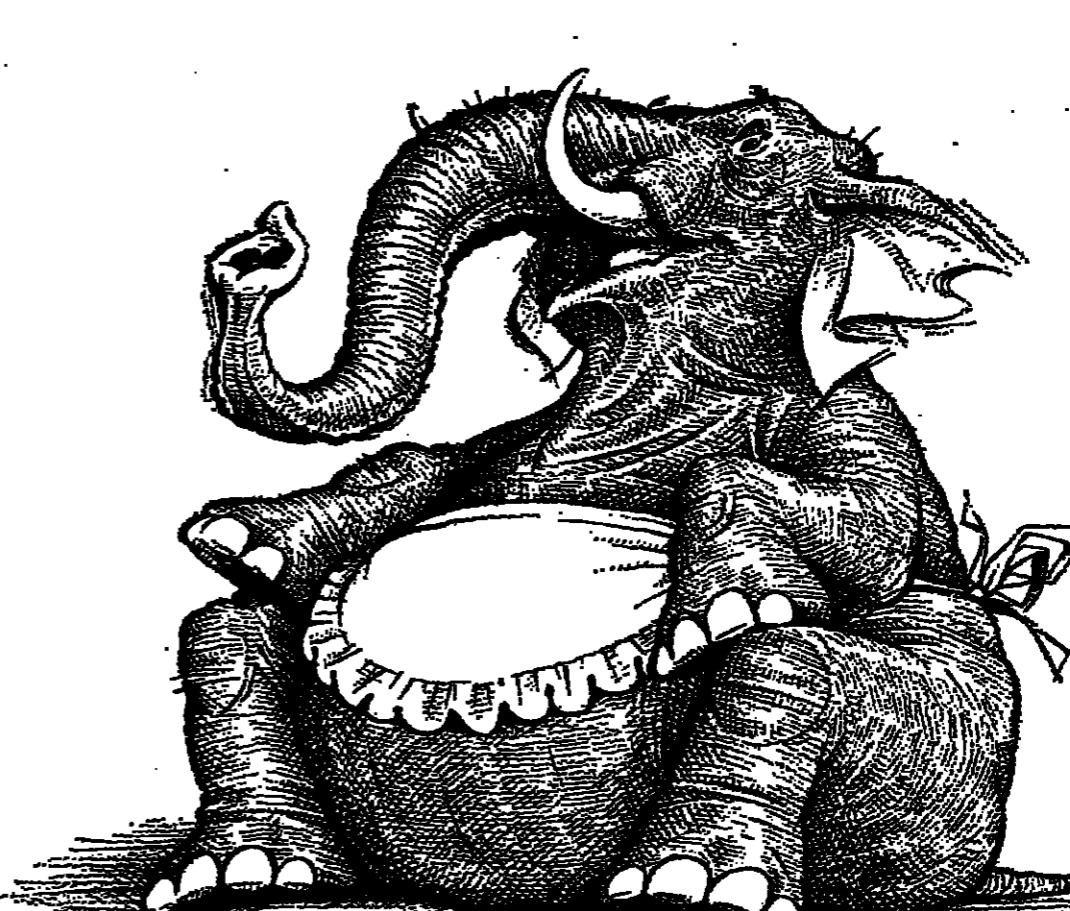
tenance facilities, share the departure lounge with Bristow and British Airways.

The former World War Two air base has one main runway running north-south and two helicopter landing strips, one running across the runway, the other at an angle to it.

Over the past year the British Airports Authority has resurfaced the touchdown area at either end of the runway to a length of 300 metres. This has required significant work which has been completed. The central area of the runway has had a new course laid.

The new main terminal was built as part of a £15m expansion when the BAA took over the airport from the Civil Aviation Authority in 1975. The apron area in front of the building is being enlarged and covered walkways provided at an estimated cost of £15m.

Other work being carried out by the Civil Aviation Authority, which controls air traffic, includes construction of a second instrument landing system at the south end of the runway.



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Successful efforts to limit aircraft noise

CIVIL AVIATION throughout the world over the past 25 years or so has become the subject of one of the most sustained environmental campaigns yet conducted, to reduce, and keep down, the volume of noise the air transport industry generates.

Aircraft noise is undeniably obtrusive, persistent (in that there are many millions of aircraft movements a year) and unpleasant at best and at worst even harmful to individuals. That has been recognised by the aircraft and aero-engine manufacturers for some time, and more recently also by the airlines.

Until the recession slowed the rate of growth of civil aviation, the overall volume of aircraft noise was in fact increasing, despite the success of individual efforts to introduce quieter aircraft, simply because of the steady expansion in the number of flights.

There are many millions of separate aircraft movements a year (over 50m in the U.S. alone)—the precise figure is impossible to quantify worldwide—each generating some noise. The overall crescendo, therefore, could well be deafening if something was not done about it.

The attack on aircraft noise has taken, and is still taking, many forms. In some countries, such as the UK, it is concentrated primarily not only upon technical reductions in noise at source, by making aero-engines quieter, but also upon limiting the scale of new developments at existing airports, severely curtailing their overall growth, and by virtually eliminating the development of new "green-field" airport sites.

In fact, unless a new airport can be developed in a location well away from any residential or other built-up areas (such as an derelict or reclaimed land, or on islands in the sea) it is now virtually impossible anywhere in Western Europe, including the UK, to develop an entirely new airport.

The best that can be hoped for is to be allowed to expand an existing airport, and even that has to be sanctioned by governments, usually only after a

lengthy and expensive public inquiry at which everyone—protagonists and antagonists alike—are given ample opportunity to state their case.

This is currently the situation in the UK, where permission to develop Terminal Two at Gatwick (to raise capacity there from 16m to 20m passengers a year) and Terminal Four at Heathrow (to raise capacity from 30m to 38m a year) was given in each case only after public planning inquiries lasting many months.

The longest running public inquiry in all the UK has been that into the question whether there should be a Terminal Five at Heathrow or the alternative development of Stansted in Essex, north of London. That inquiry began in September 1981, and only ended this summer.

Squeezed

It is probable that Terminal Five/Stansted, and perhaps a mini "Stolport" in London's Docklands, apart, there will be no other all-new airports in the UK in the future, and that all developments to cope with air traffic growth will have to be squeezed somehow into existing airport boundaries. Even the acquisition of new land for additional runways is likely to be severely restrained, and the utilisation of existing runways and terminal buildings will have to be substantially increased to cope with future traffic expansion.

While this will be the case in the UK and other heavily industrialised and populated countries, however, the picture may well be different in other parts of the world, where space is much more generously available, and where even the environmental considerations have not yet assumed the importance that they have in the U.S. Western Europe and elsewhere.

It is significant that the vast proportion of all the new airport programmes now either planned or under way are in the emerging countries of the Third World, where air transport has only comparatively recently been recognised not only as a

tool of economic growth but also a useful means of sociological and even political development.

It may not be long, however, before even in those countries, the environmental lobbies will emerge, and it is not surprising that many of the companies and consortia involved in planning these airport developments are paying meticulous attention to environmental matters from the start, to ensure that there can be as few difficulties in the future as possible.

Apart from controlling their initial size and subsequent development of airports, there are other ways in which they are being made to become better neighbours. Most airports round the world now impose "noise abatement procedures"—noise limits (compatible with safety) over the airport boundaries with which airliners on take-off must comply, with cash fines for infringements. Seriously offending airlines can even risk losing their rights to operate into the airports where their presence has become notorious by persistent breaches of noise regulations.

In many parts of the world, airports also impose their own "noise curfews," establishing specific hours at night during which the airport is virtually shut, other than for emergencies. In the UK, for example, restrictions on night jet operations are laid down by the Secretary of State for Trade for airports such as Heathrow and Gatwick. These blanket curfews or more moderate (but nonetheless effective) restrictions often force airlines making long-haul flights to plan their time-tables with meticulous attention to such details.

Many passengers who wonder why their aircraft may depart from a particular airport at a curious hour in the middle of the day might be surprised to learn that it is because of the imposition of curfews at stopping places down the line. In some instances, airlines have been obliged to cut out traffic stops at some places because of curfews with which they cannot comply because of other operational reasons. All this is being done by airport authorities in the interests of the environmental lobbies, and of the communities those airports serve.

While these major campaigns are under way in many parts of the world, to keep new airport developments under control and to site them as far away from built-up areas as possible, the other great environmental campaign—technical noise reduction—continues just as strongly.

Research

There is little doubt that this aspect of the environmentalists' efforts has already succeeded in great measure. It is estimated that, over the past 25 years, close to \$1bn has been spent by the world's major aero-engine manufacturers directly on research and development into noise reduction. Boeing of the U.S., the world's biggest jet airliner builder, alone has spent close to \$200m since 1958 in this area.

One immediately apparent result is that today's jet airliners are quieter than those of the 1950s and 1960s, and that the new-generation jets that are coming into service for the mid-1980s onwards, such as European Airbus A-310 and Boeing 757 and 767 in the short-to-medium range categories, are quieter still.

The accompanying chart prepared by Boeing shows how the aircraft noise—at the 100 EPNdB contour—that is, the effective "noise footprint" created around an airport on take-off and landing as measured in "Effective Perceived Noise Decibels" the

is also being influenced by the

need to re-equip with more

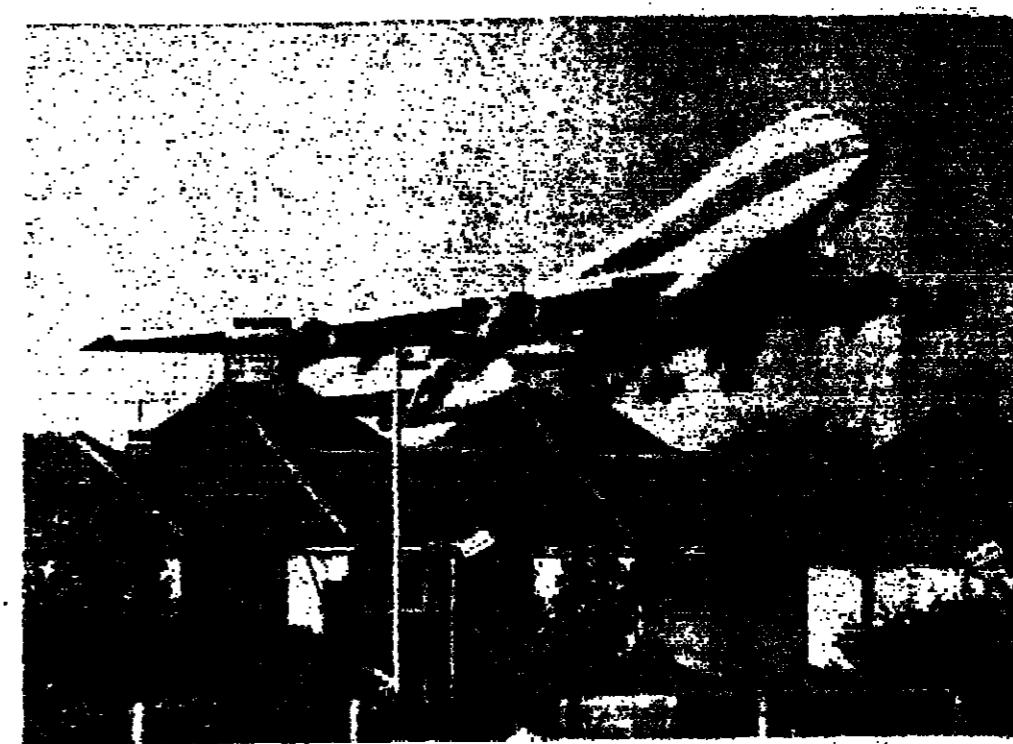
efficient aircraft, as a result of

past step rises in fuel costs

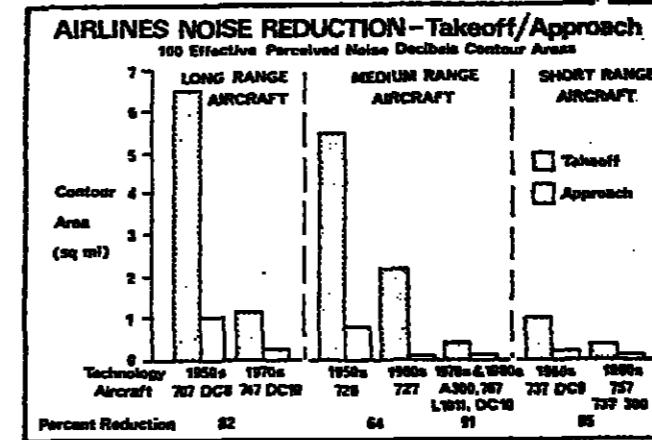
which have rendered many

older types of aircraft un-

economic to fly. To some extent, also the re-equipment tide has



A Jumbo takes off over rooftops at Heathrow. Efforts to reduce the nuisance near airports include restrictions on the scale of new developments



Source: Boeing Commercial Airplane Company

Aircraft noise has been considerably reduced over the past 20 years, as this chart of the aircraft noise "footprint" shows. The most dramatic improvement has come since the early 1970s with the introduction of new-technology engines in wide-bodied jets

mitted noise limits at take-off and landing and covering also "lateral" or sidelane noise, become effective by January 1, 1983, and is a continuation of what has been called a "phased compliance" programme, since some aircraft types have been obliged to conform by January 1, this year.

This has already generated new jet airliner orders by several major U.S. airlines, and there are signs that this trend is accelerating.

Outside the U.S., the dates are set a little later. In the UK, where "noise certification" for older types of jets has been in force for some time, all sub-sonic jet aircraft on the UK register must comply with those noise certification standards by January 1, 1984. This has already obliged British Airways to take a major re-equipment decision, leasing 14 more Boeing 757 twin engined short-range jets at the end of 1983.

In other EEC countries, compliance is necessary by January 1, 1987 (i.e., by midnight on December 31, 1986) for all sub-sonic aircraft of over 44,000 lbs gross weight on the registers of those countries. All foreign jet airliners flying into the EEC countries must also comply by January 1, 1988. These directives are binding on all EEC members, but it is significant that many other non-EEC European countries are also following suit.

Hush kits

It has been estimated that the introduction of these new noise rules is likely to generate several billion dollars' worth of new equipment purchases over the next two to three years. But at the same time, it may be possible for some operators to install "hush kits" on their older aircraft as a temporary measure to bring their noise levels down.

They may also be able to fit new engines to the existing older aircraft. However, measures are only likely to be adopted where the remaining service lives of the aircraft justify the expenditure involved but they could make a substantial difference to noise levels.

These rules are contained in what is called Annex 16 of the ICAO convention—100-page technical document drawn up after many international meetings of civil aviation bodies.

Annex 16 was first adopted in 1971 by the ICAO, and has since been frequently updated, as research into aircraft noise has produced better means of controlling that nuisance, and more and more countries have come to appreciate the need for such controls.

Complex

Broadly, Annex 16 (together with the U.S.'s own corresponding Federal Aviation Regulations, Part 36) sets out by means of complex formulae precise noise levels for take-off, approach and sidelane noise for jet airliners of all sizes and configurations (two, three, and four-engine) which should not be exceeded by the operating airlines.

The ICAO itself cannot make those formulae mandatory, but many of its individual members (of which there are more than 100) have adopted them, and are progressively implementing them legally through the 1980s, so as to ensure quieter airports. Parts of the new rules have already become legal in the U.S., UK and on the Continent, and will be progressively extended in those countries and elsewhere.

In the U.S., the new rules, effectively reducing the per-

Michael Donne

Period of growth on the way

CONTINUED ON PAGE 1

other islands—where new airports can be built only either by reclaiming land (as at Changi and with the original plan, now halted, for the Chek Lap Kok airport on Lantau Island in Hong Kong). Or by almost miraculous feats of civil engineering design and construction to fit the airport into difficult terrain, as on some islands such as Madeira, Tenerife, or Corfu.

By and large, however, it is now accepted by civil aviation planners that environmental considerations—mostly those of aircraft noise and pollution, but also those of substantial surface traffic growth generated by the existence of an airport—must play a major role in determining not only where, but often also how, a new civil airport must be built.

With so many programmes in the offing, it is not surprising that the business of providing new airports has become intensely competitive, often involving several major groups of industrial companies bidding

for every contract. The high costs of such ventures also mean that there is often a considerable problem in raising the cash, especially in countries in the Third World where money is tight, and has to be carefully allocated to a wide range of other priorities, such as agriculture, medicine, housing and education. This means that in many instances, the civil engineering, consulting and industrial groups put together to bid for major airport contracts often include a number of financing institutions.

Without this ability virtually to guarantee the cash, a consortium is almost certain nowadays to lose any fiercely contested airport development contract in the Third World, although it is perhaps less of a consideration in the more highly-industrialised countries, where government, airport, or local authorities have recourse to their own sources of finance. Even with the ability to bring money along with civil engineering and other airport develop-

ment expertise, however, the battles for new airport contracts are bitter, with groups from the UK, U.S., Western Europe and even as far afield as Japan often involved in the bidding.

Although in some cases the profits on the contracts are smaller than might be supposed, the deals do involve substantial workloads, often lasting for years and providing employment for a wide range of skills and several thousand personnel on any one programme.

In the UK, for example, the contracts for the new Terminal Four at Heathrow and Terminal Two at Gatwick were fiercely contested, since they represent two of the largest civil engineering ventures to be undertaken in this country this decade—apart from the forthcoming Terminal Five/Stansted development, not yet settled but nevertheless likely to involve a minimum of £200m initially.

The entire business of airport planning and construction is thus vast. An airport is not just a couple of miles of concrete and some buildings laid on an open space. It is a complex combination of many different facets of modern industrial life. Quite apart from the problems of initial site selection and preparation before the basic construction engineering begins, there are such matters as accompanying external roads, sewage removal, electricity and water supply programmes to be settled.

Once the airport or terminal is completed, it must be equipped with a vast range of equipment from baggage handling devices, illuminated signs and other lighting, public address systems and other aids through to fire equipment and other safety devices. The British Airports Authority in the UK alone has said that it expects to spend over £750m on its various airport programmes through the next five years. That figure alone is enough to indicate the scale of what is ahead in airport construction worldwide.

Aviation in Asia and the Pacific Basin

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Nato ministers reaffirm decision to deploy missiles

BY BRIDGET BLOOM IN OTTAWA

NATO Defence Ministers have reaffirmed the alliance's decision to deploy new U.S. nuclear missiles in Europe from the end of this year but have appealed to the Soviet Union to remain at the negotiating table in the hope of achieving an ultimate agreement to reduce nuclear weapons in Europe.

The ministers, who have been attending a two-day meeting near here of the nuclear planning group (NPG) expressed interest in the new proposals announced by Soviet President Yuri Andropov in an interview in *Pravda* earlier this week.

Their final communiqué declared that the proposals "as reported" were unacceptable to Nato since they continued to insist that the Soviet Union should have a monopoly of medium-range missiles in Europe.

However, Dr Joseph Luns, the Nato secretary general, gave the first public confirmation that the actual deployment is likely to be staggered in the three countries scheduled to take the first missiles.

In West Germany, which is to take an initial batch of nine Pershing 2 missiles, deployment will begin after November 2. Dr Luns said Britain would take its first cruise missiles believed to be a flight of 16 by the end of the year. Missiles will be stationed in Italy "shortly after," he added.

Reuter adds from Bonn: West Germany yesterday welcomed Soviet President Yuri Andropov's recent offer to cut Moscow's arsenal of Europe-based SS-20 nuclear missiles to 140 if NATO forgoes deployment of new U.S. rockets this winter.

Lebanese leaders set off for reconciliation talks

BY PATRICK COCKBURN IN BEIRUT

MUSLIM MILITIAMEN in south Beirut were under strict orders yesterday to avoid clashes with U.S. marines as most Lebanese political leaders set off for the national reconciliation conference, due to start in Geneva on Monday.

Opposition leaders believe that unless some form of more broadly-based government emerges, less identified with the Christian Maronite sect, the month-old ceasefire will crumble.

Lebanon's President Amin Gemayel yesterday postponed a visit to Damascus minutes before he was due to leave for talks with President Hafez al-Assad. Officers said he would pay the visit after the Geneva talks.

In the southern suburbs of Beirut, militiamen belonging to Amal, the political grouping of the Shia sect, were out in force yesterday.

Amal leaders in Beirut say that it should rapidly become clear in Geneva whether President Gemayel and the Christian leaders will make sufficient concessions for reconciliation to take place.

They say that Mr Nabih

U.S. leading economic index jumps 0.9%

BY STEWART FLEMING IN WASHINGTON

THE index of leading economic indicators jumped 0.9 per cent in September, the strongest gain in four months, the U.S. Commerce Department reported yesterday, confirming recent indications the economy is recovering strongly.

The index, which was unveiled under conditions of tight security following recent embarrassing leaks of Commerce Department economic data, was boosted by strong increases in five of the 10 underlying statistical series, in particular data recording net new business formation, the average work week, which has been lengthening and orders for factory equipment.

The department also revised upwards the August index to show a rise of 0.3 per cent instead of the 0.1 per cent decline reported earlier.

The index, which is thought to provide a rough guide to the likely development of the economy but has been criticised by some economists for sending out misleading signals, has now improved for 13 consecutive

Japan's PM 'advises' Tanaka to quit politics

By Charles Smith, Far East Editor, in Tokyo

JAPAN'S ruling Liberal Democratic Party yesterday moved on to the offensive in its efforts to resolve the crisis sparked by the verdict of guilty on former Prime Minister Tanaka in the Lockheed bribery case.

Yet on Wednesday Mr Andropov said his new package was conditional on the non-deployment of new U.S. missiles in Europe—a condition again rejected by Nato ministers.

At a press conference after yesterday's meeting, Mr Casper Weinberger, the U.S. Defence Secretary, said the production and manufacture of the new missiles and preparations for their deployment were on schedule.

However, Dr Joseph Luns, the Nato secretary general, gave the first public confirmation that the actual deployment is likely to be staggered in the three countries scheduled to take the first missiles.

In West Germany, which is to take an initial batch of nine Pershing 2 missiles, deployment will begin after November 2. Dr Luns said Britain would take its first cruise missiles believed to be a flight of 16 by the end of the year. Missiles will be stationed in Italy "shortly after," he added.

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GRENADA • Moscow protests • U.S. faces censure • More peace force troops



Cubans captured during the Grenadian invasion wait to learn their fate.

U.S. likely to face UN censure despite veto

UNITED NATIONS—The U.S. is likely to be publicly censured in the United Nations General Assembly over its role in the invasion of Grenada, diplomatic sources said yesterday.

Washington was forced to veto a Security Council resolution yesterday deeply deplored "armed intervention" in Grenada and calling for the withdrawal of foreign troops. But it has no such power in the General Assembly.

The veto is likely to throw the issue into the arena of the general assembly where, if Grenada is on the agenda, such a resolution would undoubtedly be adopted by a large majority, the diplomats added. The 158-nation assembly is already in session.

The Security Council draft said the action in Grenada was a flagrant violation of international law and set a 48-hour deadline for the invading force to get out.

Eleven of the 15 council members, including France and the Netherlands, voted for it. Britain, Togo and Zaire abstained, leaving the U.S. to cast the sole negative vote.

Before the vote, Mrs Jeane

Kirkpatrick, for the U.S., rejected charges that the intervention in Grenada violated the UN charter. This, she said, justified the use of force to defend freedom, democracy and peace.

The events in the Caribbean do not comprise a classical example of a large power invading a small, helpless nation," she said, adding that it was a delusion to conclude there was a violation that should be condemned by outraged opinion.

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